
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number: 001-40688

Draganfly Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

British Columbia, Canada

(Jurisdiction of Incorporation or Organization)

235 103rd St E., Saskatoon, SK, S7N 1Y8, Canada

(Address of Principal Executive Offices)

**Paul Sun, Chief Financial Officer
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E-mail: paul.sun@draganfly.com**

235 103rd St E, Saskatoon, SK, S7N 1Y8, Canada

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Shares	DPRO	The Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to section 15(d) of the Act

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

49,229,563 Common Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files)

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

†The term "new or revised financial accounting standard" refers to any updated issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on an attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive- based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the Other
International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court

Yes No

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GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise “we”, “us”, “our”, the “Company” or “Draganfly” refer to Draganfly Inc. and its subsidiaries.

Unless otherwise indicated, financial information in this Annual Report on Form 20-F (this “**Annual Report**”) has been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Unless otherwise noted herein, all references to “\$,” “C\$,” “Canadian dollars,” or “dollars” are to the currency of Canada and “US\$,” “United States dollars,” or “U.S. dollars” are to the currency of the United States.

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and as such, we have elected to comply with certain reduced U.S. public company reporting requirements.

The Company prepares and reports its consolidated financial statements in accordance with IFRS. However, this Annual Report may make reference to certain non-IFRS measures including key performance indicators used by management. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company’s financial information reported under IFRS.

The Company uses non-IFRS measures including “gross profit,” “gross margin” and “working capital” which may be calculated differently by other companies. These non-IFRS measures and metrics are used to provide investors with supplemental measures of the Company’s operating performance and liquidity and thus highlight trends in the Company’s business that may not otherwise be apparent when relying solely on IFRS measures. Management believes

that gross profit, defined as revenue less operating expenses, is a useful supplemental measure of operations. Gross profit helps provide an understanding on the level of costs needed to create revenue. Gross margin illustrates the gross profit as a percentage of revenue. Management believes that working capital, defined as current assets less current liabilities, is an indicator of the Corporation's liquidity and its ability to meet its current obligations. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies in similar industries. Management also uses non-IFRS measures and metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of executive compensation. For reconciliations of these non-IFRS measures to the relevant reported measures, please see the "*Results of Operations – Cost of Goods Sold / Gross Margin*" for a discussion of gross profit and gross margin, and for a discussion of working capital, "*Selected Financial Information*" sections of the Company's Management's Discussion and Analysis for the year ended December 31, 2023, attached to this Annual Report on Form 20-F in Exhibit 15.1.

Unless otherwise indicated, the Company has obtained the market and industry data contained in this Annual Report from its internal research, management's estimates and third-party public information and other industry publications. While the Company believes such internal research, management's estimates and third-party public information is reliable, such internal research and management's estimates have not been verified by any independent sources and the Company has not verified any third party public information. While the Company is not aware of any misstatements regarding the market and industry data contained in this Annual Report, such data involves risks and uncertainties and are subject to change based on various factors, including those described under "Cautionary Statement Regarding Forward-Looking Information and Statements" and "Item 3.D. Risk Factors".

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," or the negative of these terms or other similar expressions. The statements we make regarding the following matters are forward-looking by their nature and are based on certain of the assumptions noted below:

- the intentions, plans and future actions of the Company;
- statements relating to the business and future activities of the Company;
- anticipated developments in operations of the Company;
- market position, ability to compete and future financial or operating performance of the Company;
- the timing and amount of funding required to execute the Company's business plans;
- capital expenditures;
- the effect on the Company of any changes to existing or new legislation or policy or government regulation;
- the availability of labor;
- the Company's ability to secure necessary regulatory approvals and permits
- requirements for additional capital;
- goals, strategies and future growth and the success of the Company's products;
- the adequacy of financial resources;
- expectations regarding revenues, expenses and anticipated cash needs;
- volatility in the Company's securities and the continued listing of the Company's securities on Nasdaq; and
- general market conditions and macroeconomic trends driven by pandemics and/or geopolitical conflicts, including supply chain disruptions, market volatility, inflation, interests rates, and labor challenges, among other factors.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations

and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, those factors identified under the *Risk Factors* listed below in Item 3.D. of this Annual Report. Furthermore, unless otherwise stated, the forward-looking statements contained in this Annual Report are made as of the date hereof, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes or otherwise, except as required by law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

3.A.

[Reserved]

3.B. Capitalization and Indebtedness

Not required.

3.C. Reasons for the Offer and Use Of Proceeds

Not required.

3.D. Risk Factors

An investment in the Company's common shares, without par value, (the "**Common Shares**") is highly speculative and involves significant risks. **In addition to the other information contained in this Annual Report and the documents incorporated by reference herein and therein, you should review and carefully consider the risks described herein.** The risks described herein are not the only risk factors facing us and should not be considered exhaustive. Additional risks and uncertainties not currently known to us, or that we currently consider immaterial, may also materially and adversely affect our business, operations and condition, financial or otherwise.

Risks Related to the Company, its Business and Industry

The Company has a history of losses.

The Company has incurred net losses since its inception. The Company cannot assure that it can become profitable or avoid net losses in the future or that there will be any earnings or revenues in any future quarterly or other periods. The Company expects that its operating expenses will increase as it grows its business, including expending substantial resources for research, development and marketing. As a result, any decrease or delay in generating revenues could result in material operating losses.

A shareholder's holding in the Company may be diluted if the Company issues additional Common Shares or other securities in the future.

The Company may issue additional Common Shares or other securities in the future, which may dilute a shareholder's holding in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders have no pre-emptive rights in connection with further issuances of any securities. The directors of the Company have the discretion to determine if an issuance of Common Shares or other securities is warranted, the price at which any such securities are issued and the other terms of issue of Common Shares or securities. In addition, the Company may issue additional Common Shares upon the exercise of incentive stock options to acquire Common Shares under its share compensation plan or upon the exercise or conversion of other outstanding convertible securities of the Company, which will result in further dilution to shareholders. In addition, the issuance of Common Shares or other securities in any potential future acquisitions, if any, may also result in further dilution to shareholder interests.

The Company expects to incur substantial research and development costs and devote significant resources to identifying and commercializing new products and services, which could significantly reduce its profitability and may never result in revenue to the Company.

The Company's future growth depends on penetrating new markets, adapting existing products to new applications, and introducing new products and services that achieve market acceptance. The Company plans to incur substantial research and development costs as part of its efforts to design, develop and commercialize new products and services and enhance its existing products. The Company believes that there are significant opportunities in a number of business areas. Because the Company accounts for research and development costs as operating expenses, these expenditures will adversely affect its earnings in the future. Further, the Company's research and development programs may not produce successful results, and its new products and services may not achieve market acceptance, create any additional revenue or become profitable, which could materially harm the Company's business, prospects, financial results and liquidity.

Shortfalls in available external research and development funding could adversely affect the Company.

The Company depends on its research and development activities to develop the core technologies used in its UAV products and for the development of the Company's future products. A portion of the Company's research and development activities can depend on funding by commercial companies and the Canadian government. Canadian government and commercial spending levels can be impacted by a number of variables, including general economic conditions, specific companies' financial performance and competition for Canadian government funding with other Canadian government-sponsored programs in the budget formulation and appropriation processes. Moreover, the Canadian, federal and provincial governments provide energy rebates and incentives to commercial companies, which directly impact the amount of research and development that companies appropriate for energy systems. To the extent that these energy rebates and incentives are reduced or eliminated, company funding for research and development could be reduced. Any reductions in available research and development funding could harm the Company's business, financial condition and operating results.

The Company's adoption of new business models could fail to produce any financial returns.

Forecasting the Company's revenues and profitability for new business models is inherently uncertain and volatile. The Company's actual revenues and profits for its business models may be significantly less than the Company's forecasts. Additionally, the new business models could fail for one or more of the Company's products and/or services, resulting in the loss of Company's investment in the development and infrastructure needed to support the new business models, and the opportunity cost of diverting management and financial resources away from more successful businesses.

The Company will be affected by operational risks and may not be adequately insured for certain risks.

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's technologies, personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

The Company operates in evolving markets, which makes it difficult to evaluate the Company's business and future prospects.

The Company's unmanned aerial vehicles ("UAVs") are sold in rapidly evolving markets. The commercial UAV market is in early stages of customer adoption. Accordingly, the Company's business and future prospects may be difficult to evaluate. The Company cannot accurately predict the extent to which demand for its products and services will increase, if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact the Company's ability to do the following:

- generate sufficient revenue to reach and maintain profitability;

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- acquire and maintain market share;
- achieve or manage growth in operations;
- develop and renew contracts;
- attract and retain additional engineers and other highly-qualified personnel;
- successfully develop and commercially market new products;
- adapt to new or changing policies and spending priorities of governments and government agencies; and
- access additional capital when required and on reasonable terms.

If the Company fails to address these and other challenges, risks and uncertainties successfully, its business, results of operations and financial condition would be materially harmed.

The Company operates in a competitive market.

The Company faces competition and new competitors will continue to emerge throughout the world. Services offered by the Company's competitors may take a larger share of consumer spending than anticipated, which could cause revenue generated from the Company's products and services to fall below expectations. It is expected that competition in these markets will intensify.

If competitors of the Company develop and market more successful products or services, offer competitive products or services at lower price points, or if the Company does not produce consistently high-quality and well-received products and services, revenues, margins, and profitability of the Company will decline.

The Company's ability to compete effectively will depend on, among other things, the Company's pricing of services and equipment, quality of customer service, development of new and enhanced products and services in response to customer demands and changing technology, reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Company adds new customers, a decrease in the size of the Company's market share and a decline in its customers. Examples include but are not limited to competition from other companies in the UAV industry.

In addition, the Company could face increased competition should there be an award of additional licenses in jurisdictions in which the Company operates in.

The markets in which the Company competes are characterized by rapid technological change, which requires the Company to develop new products and product enhancements and could render the Company's existing products obsolete.

Continuing technological changes in the market for the Company's products could make its products less competitive or obsolete, either generally or for particular applications. The Company's future success will depend upon its ability to develop and introduce a variety of new capabilities and enhancements to its existing product and service offerings, as well as introduce a variety of new product offerings, to address the changing needs of the markets in which it offers products. Delays in introducing new products and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause existing and potential customers to purchase the Company's competitors' products.

If the Company is unable to devote adequate resources to develop new products or cannot otherwise successfully develop new products or enhancements that meet customer requirements on a timely basis, its products could lose market share, its revenue and profits could decline, and the Company could experience operating losses.

Failure to obtain necessary regulatory approvals from Transport Canada or other governmental agencies, or limitations put on the use of small UAV in response to public privacy concerns, may prevent the Company from expanding sales of its small UAV to non-military customers in Canada.

Transport Canada is responsible for establishing, managing, and developing safety and security standards and regulations for civil aviation in Canada, and includes unmanned civil aviation (drones). Civil operations include law enforcement, scientific research, or use by private sector companies for commercial purposes. The Canadian Aviation Regulations ("CARs") govern civil aviation safety and security in Canada, and by extension govern operation of drones in Canada to an acceptable level of safety.

While Transport Canada has been a leader in the development of regulations for the commercial use of remotely piloted aircraft systems ("RPAS") and continues to move forward rapidly with its regulatory development, it has acknowledged the challenge of regulations keeping pace with the rapid development in technology and the growing demand for commercial RPAS use, particularly in the beyond visual line-of-sight environment. In 2012, the Canadian Aviation Regulation Advisory Council UAS working group released its Phase 2 report which outlined a proposed set of revision to the CARs to permit beyond visual line of sight operations. This report was the basis for the recently released Notice of Proposed Amendment ("NPA") by Transport Canada on lower risk beyond visual line-of-sight.

Failure to obtain necessary regulatory approvals from Transport Canada or other governmental agencies, including the granting of certain Special Flight Operations Certificates ("SFOCs"), or limitations put on the use of RPAS in response to public safety concerns, may prevent the Company from testing or operating its aircraft and/or expanding its sales which could have an adverse impact on the Company's business, prospects, results of operations and financial condition.

There are risks associated with the regulatory regime and permitting requirements of the Company's business.

A significant portion of the Company's business is based on the operation of RPAS. The operation of RPAS poses a risk or hazard to airspace users as well as personnel on the ground. As the RPAS industry is rapidly developing, the regulatory environment for RPAS is constantly evolving to keep pace. As such, whenever a policy change with respect to operating regulations occurs, there is a risk that the Company could find itself to be in non-compliance with these new regulations. While the Company endeavours to take all necessary action to reduce the risks associated with the operations of RPAS and to remain well-informed and up-to-date on any addendums and changes to the applicable

regulations, there is no assurance that an incident involving an RPAS or the Company's non-compliance would not create a significant current or future liability for the company.

The regulation of RPAS operations within the Canadian Domestic Airspace ("CDA") is still evolving and is expected to continue to change with the proliferation of RPAS, advancements in technology, and standardization within the industry. Changes to the regulatory regime may be disruptive and result in the Company needing to adopt significant changes in its operations and policies, which may be costly and time-consuming, and may materially adversely affect the Company's ability to manufacture and make delivery of its products and services in a timely fashion.

The Company's business and research and development activities are subject to oversight by Transport Canada, the federal institution responsible for transportation policies and programs, including the rules in the CARs. Currently, Transport Canada requires that any non-recreational operators of RPAS have a SFOC. The Company's ability to develop, test, demonstrate, and sell products and services depends on its ability to acquire and maintain a valid SFOC.

In addition, there exists public concern regarding the privacy implications of Canadian commercial and law enforcement use of small UAV. This concern has included calls to develop explicit written policies and procedures establishing UAV usage limitations. There is no assurance that the response from regulatory agencies, customers and privacy advocates to these concerns will not delay or restrict the adoption of small UAV by prospective non-military customers.

The Company may be subject to the risks associated with future acquisitions.

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Any such future acquisitions, if completed, may expose the Company to additional potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

The Company's inability to retain management and key employees could impair the future success of the Company.

The Company's future success depends substantially on the continued services of its executive officers and its key development personnel. If one or more of its executive officers or key development personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose experience, know-how, key professionals and staff members as well as business partners. These executive officers and key employees could develop drone technologies that could compete with and take customers and market share away from the Company.

The Company faces uncertainty and adverse changes in the economy.

Adverse changes in the economy could negatively impact the Company's business. Future economic distress may result in a decrease in demand for the Company's products, which could have a material adverse impact on the Company's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing and publishing products, increase the cost and decrease the availability of sources of financing, and increase the Company's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Company.

The Company is subject to certain market-based financial risks associated with its operations.

The Company could be subject to interest rate risks, which is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities, however market fluctuations could increase the costs at which the Company can access capital and its ability to obtain financing and the Company's cash balances carry a floating rate of interest. In addition, the Company engages in transactions in currencies other than its functional currency. Depending on the timing of these transactions and the applicable currency exchange rates, conversions to the Company's functional currency may positively or negatively impact the Company.

Negative macroeconomic and geopolitical trends could affect demand for the Company's products and its ability to access sources of capital.

There can be no assurance that the Company's business and corresponding financial performance will not be adversely affected by general negative economic or consumer trends or events, including pandemics, public health crises, weather catastrophes, acts of terrorism, war, and political instability. In particular, global economic markets have seen extensive volatility over the past few years owing to the outbreak of the COVID-19 pandemic, the war between Russia and Ukraine, and the war between Israel and Hamas, the closing of certain financial institutions by regulators in March 2023, and political instability. These events have created, and may continue to create, significant disruption of the global economy, supply chains and distribution channels, and financial and labor markets. If such conditions continue, recur or worsen, this may have a material adverse effect on the Company's business, financial condition and results of operations as consumer demand and its ability to access capital on favorable terms, or at all, could be negatively impacted as a result of such conditions and consequences. Furthermore, such economic conditions have produced downward pressure on share prices and on the availability of credit for financial institutions and corporations while also driving up interest rates, further complicating borrowing and lending activities. If current levels of market disruption and volatility continue or increase, the Company might experience reductions in business activity, increases in funding costs, decreases in asset values, additional write-downs and impairment charges and lower profitability.

The Company may be subject to the risks associated with foreign operations in other countries.

The Company's primary revenues are expected to be achieved in Canada and the US. However, the Company may expand to markets outside of North America and become subject to risks normally associated with conducting business in other countries. As a result of such expansion, the Company may be subject to the legal, political, social and regulatory requirements and economic conditions of foreign jurisdictions. The Company cannot predict government positions on such matters as foreign investment, intellectual property rights or taxation. A change in government positions on these issues could adversely affect the Company's business.

If the Company expands its business to foreign markets, it will need to respond to rapid changes in market conditions, including differing legal, regulatory, economic, social and political conditions in these countries. If the Company is not able to develop and implement policies and strategies that are effective in each location in which it does business, then the Company's business, prospects, results of operations and financial condition could be materially and adversely affected.

There are tax risks the Company may be subject to in carrying on business in Canada.

The Company is a resident of Canada for purposes of the *Income Tax Act* (Canada) (the "Tax Act"). Since the Company is operating in a new and developing industry there is a risk that foreign governments may look to increase their tax revenues or levy additional taxes to level the playing field for perceived disadvantages to traditional brick and mortar businesses. There is no guarantee that governments will not impose such additional adverse taxes in the future.

If critical components or raw materials used to manufacture the Company's products become scarce or unavailable, then the Company may incur delays in manufacturing and delivery of its products, which could damage its business.

The Company obtains hardware components, various subsystems and systems from a limited group of suppliers. The Company does not have long-term agreements with any of these suppliers that obligate it to continue to sell components, subsystems, systems or products to the Company. The Company's reliance on these suppliers involves significant risks and uncertainties, including whether its suppliers will provide an adequate supply of required components, subsystems, or systems of sufficient quality, will increase prices for the components, subsystems or systems and will perform their obligations on a timely basis.

The global supply chain has experienced significant disruptions recently, caused by the COVID-19 pandemic and by geopolitical conflict, including the wars in Ukraine and Gaza, and the possibility of widening conflict in the Middle East. These disruptions have impacted a variety of products and goods and have had various downstream effects, making it more difficult to reliably and timely source and supply goods and has also resulted in shortages of labor and equipment. The macroeconomic impacts of the COVID-19 pandemic and global conflicts, including the disruption of global shipping lanes in the Middle East, have contributed to inflationary pressure, rising interest rates, and increased market volatility, adding additional pricing uncertainty. These conditions, if not mitigated or remedied in a timely manner, could delay or preclude delivery of raw materials needed to manufacture the Company's products or delivery of its products to customers, particularly in international markets. If the Company is unable to obtain components from third-party suppliers in the quantities and of the quality that it requires, on a timely basis and at acceptable prices, then it may not be able to deliver its products on a timely or cost-effective basis to its customers, or at all, which could cause customers to terminate their contracts with the Company, increase the Company's costs and seriously harm its business, results of operations and financial condition. Moreover, if any of the Company's suppliers become financially unstable, then it may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to redesign the Company's products to accommodate components from different suppliers. The Company may experience significant delays in manufacturing and shipping its products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if the Company loses any of these sources or is required to redesign its products. The Company cannot predict if it will be able to obtain replacement components within the time frames that it requires at an affordable cost, if at all.

Natural outdoor elements such as wind and precipitation may have a material adverse effect on the use and effectiveness of the Company's products.

The Company's business will involve the operation and flying of UAVs, a technology-based product used outside. As such, the business is subject to various risks inherent in a technology-based businesses operated in outdoor conditions, including faulty parts, breakdowns and crashes. Although the Company anticipates the use of its UAVs in good climactic conditions and that adequate flying conditions will be monitored by trained personnel, there can be no assurance that unpredictable natural outdoor elements, which could be exacerbated due to risks associated with climate change, will not have a material adverse effect on the use and effectiveness of its products.

The Company's products may be subject to recall or return.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, safety concerns, packaging issues and inadequate or inaccurate labeling disclosure. If any of the Company's equipment were to be recalled due to an alleged product defect, safety concern or for any other reason, the Company could be required to incur unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management time and attention. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Transport Canada or other regulatory agencies, requiring further management time and attention and potential legal fees, costs and other expenses.

If the Company releases defective products or services, its operating results could suffer.

Products and services designed and released by the Company involve extremely complex software programs and are difficult to develop and distribute. While the Company has quality controls in place to detect and prevent defects in its products and services before they are released, these quality controls are subject to human error, overriding, and reasonable resource constraints. Therefore, these quality controls and preventative measures may not be effective in detecting and preventing defects in the Company's products and services before they have been released into the marketplace. In such an event, the Company could be required, or decide voluntarily, to suspend the availability of the product or services, which could significantly harm its business and operating results.

The Company's products and services are complex and could have unknown defects or errors, which may give rise to legal claims against the Company, diminish its brand or divert its resources from other purposes.

The Company's UAVs rely on complex avionics, sensors, user-friendly interfaces and tightly integrated, electromechanical designs to accomplish their missions. Despite testing, the Company's products have contained defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by the Company's customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in the Company's service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to the Company's reputation, any of which could materially harm the Company's results of operations and ability to achieve market acceptance. In addition, increased development and warranty costs could be substantial and could significantly reduce the Company's operating margins.

The existence of any defects, errors, or failures in the Company's products or the misuse of the Company's products could also lead to product returns, recalls, or liability claims or lawsuits against it. A defect, error or failure in one of the Company's UAV could result in injury, death or property damage and significantly damage the Company's reputation and support for its UAV in general. The Company anticipates this risk will grow as its UAV begins to be used in Canadian domestic airspace and urban areas. The Company's UAV test systems also have the potential to cause injury, death or property damage in the event that they are misused, malfunction or fail to operate properly due to unknown defects or errors. Although the Company maintains insurance policies, it cannot provide any assurance that this insurance will be adequate to protect the Company from all material judgments and expenses related to potential future claims or that these levels of insurance will be available in the future at economical prices or at all. A successful product liability claim could result in substantial cost to us. Even if the Company is fully insured as it relates to a particular claim, the claim could nevertheless diminish the Company's brand and divert management's attention and resources, which could have a negative impact on the Company's business, financial condition and results of operations.

The Company could be prohibited from shipping its products to certain countries if it is unable to obtain Canadian government authorization regarding the export of its products, or if current or future export laws limit or otherwise restrict the Company's business.

The Company must comply with Canadian federal and provincial laws regulating the export of its products. In some cases, explicit authorization from the Canadian government is needed to export its products. The export regulations and the governing policies applicable to the Company's business are subject to change. The Company cannot provide assurance that such export authorizations will be available for its products in the future. Compliance with these laws has not significantly limited the Company's operations or sales in the recent past, but could significantly limit them in the future. Non-compliance with applicable export regulations could potentially expose the Company to fines, penalties and sanctions. If the Company cannot obtain required government approvals under applicable regulations, the Company may not be able to sell its products in certain international jurisdictions, which could adversely affect the Company's financial condition and results of operations.

Negative consumer perception regarding the Company's products could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company.

The Company believes the UAV industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the UAV used. Consumer perception of these products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the use of UAV. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to the UAV market. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of UAV based surveys in general, or the Company's products specifically, could have a material adverse effect.

If the Company fails to successfully promote its product brand, this could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company believes that brand recognition is an important factor to its success. If the Company fails to promote its brands successfully, or if the expenses of doing so are disproportionate to any increased net sales it achieves, it would have a material adverse effect on the Company's business, prospects, financial condition and results of operations. This will depend largely on the Company's ability to maintain trust, be a technology leader, and continue to provide high-quality and secure technologies, products and services. Any negative publicity about the Company or its industry, the quality and reliability of the Company's technologies, products and services, the Company's risk management processes, changes to the Company's technologies, products and services, its ability to effectively manage and resolve customer complaints, its privacy and security practices, litigation, regulatory activity, and the experience of sellers and buyers with the Company's products or services, could adversely affect the Company's reputation and the confidence in and use of the Company's technologies, products and services. Harm to the Company's brand can arise from many sources, including; failure by the Company or its partners to satisfy expectations of service and quality; inadequate protection of sensitive information; compliance failures and claims; litigation and other claims; employee misconduct; and misconduct by the Company's partners, service providers, or other counterparties. If the Company does not successfully maintain a strong and trusted brand, its business could be materially and adversely affected.

The Company may be subject to electronic communication security risks.

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Cyberattacks could result in unauthorized access to the Company's computer systems or its third-party IT service provider's systems and, if successful, misappropriate personal or confidential information. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

The last few years have seen an increase in the volume and sophistication of targeted cyber-attacks. A failure of the Company's IT infrastructure could severely limit the Company's ability to conduct ordinary operations or expose the Company to liability. To date, the Company's systems have functioned capably, and it has not experienced a material impact to its operations as a result of an IT infrastructure issue. Data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security. As a result, the Company may

become subject to more extensive requirements to protect the customer information that it processes in connection with the purchase of its products, resulting in increased compliance costs.

While the Company has taken measures to protect against cyberattacks, even the most well-protected IT networks, systems and facilities remain potentially vulnerable because the techniques used in attempted security breaches are continually evolving and generally are not recognized until launched against a target or, in some cases, are designed not to be detected and, in fact, may not be detected. Any such compromise of the Company's or its third party's IT service providers' data security and access, public disclosure, or loss of personal or confidential business information, could result in legal claims and proceedings, liability under laws to protect privacy of personal information, and regulatory penalties, and could disrupt the Company's operations, require significant management attention and resources to remedy any damages that result, and damage its reputation and customers willingness to transact business with us, any of which could adversely affect our business.

The Company's business could be adversely affected if its consumer protection and data privacy practices are not perceived as adequate or there are breaches of its security measures or unintended disclosures of its consumer data.

The rate of privacy law-making is accelerating globally and interpretation and application of consumer protection and data privacy laws in Canada, the United States, Europe and elsewhere are often uncertain, contradictory and in flux. As business practices are being challenged by regulators, private litigants, and consumer protection agencies around the world, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Company's data and/or consumer protection practices. If so, this could result in increased litigation government or court-imposed fines, judgments or orders requiring that the Company change its practices, which could have an adverse effect on its business and reputation. Complying with these various laws could cause the Company to incur substantial costs or require it to change its business practices in a manner adverse to its business.

The Company relies on its business partners, and they may be given access to sensitive and proprietary information in order to provide services and support to the Company's teams.

The Company relies on various business partners, including third-party service providers, vendors, licensing partners, development partners, and licensees, among others, in some areas of the Company's business. In some cases, these third parties are given access to sensitive and proprietary information in order to provide services and support to the Company's teams. These third parties may misappropriate the Company's information and engage in unauthorized use of it. The failure of these third parties to provide adequate services and technologies, or the failure of the third parties to adequately maintain or update their services and technologies, could result in a disruption to the Company's business operations. Further, disruptions in the financial markets and economic downturns may adversely affect the Company's business partners and they may not be able to continue honoring their obligations to the Company. Alternative arrangements and services may not be available to the Company on commercially reasonable terms or the Company may experience business interruptions upon a transition to an alternative partner or vendor. If the Company loses one or more significant business partners, the Company's business could be harmed.

If the Company fails to protect, or incurs significant costs in defending, its intellectual property and other proprietary rights, the Company's business, financial condition, and results of operations could be materially harmed.

The Company's success depends, in large part, on its ability to protect its intellectual property and other proprietary rights. The Company relies primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect the Company's intellectual property and other proprietary rights. However, a portion of the Company's technology is not patented, and the Company may be unable or may not seek to obtain patent protection for this technology. Moreover, existing Canadian legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide the Company with any competitive advantages, and may be challenged by third parties. The laws of

countries other than Canada may be even less protective of intellectual property rights. Accordingly, despite its efforts, the Company may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Company's technology. Unauthorized third parties may try to copy or reverse engineer the Company's products or portions of its products or otherwise obtain and use the Company's intellectual property. Moreover, many of the Company's employees have access to the Company's trade secrets and other intellectual property. If one or more of these employees leave to work for one of the Company's competitors, then they may disseminate this proprietary information, which may as a result damage the Company's competitive position. If the Company fails to protect its intellectual property and other proprietary rights, then the Company's business, results of operations or financial condition could be materially harmed. From time to time, the Company may have to initiate lawsuits to protect its intellectual property and other proprietary rights. Pursuing these claims is time consuming and expensive and could adversely impact the Company's results of operations.

In addition, affirmatively defending the Company's intellectual property rights and investigating whether the Company is pursuing a product or service development that may violate the rights of others may entail significant expense. Any of the Company's intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If the Company resorts to legal proceedings to enforce its intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, then the proceedings could result in significant expense to the Company and divert the attention and efforts of the Company's management and technical employees, even if the Company prevails.

Obtaining and maintaining the Company's patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and its patent protection could be reduced or eliminated for non-compliance with these requirements.

The Canadian Intellectual Property Office ("CIPO"), the United States Patent and Trademark Office ("USPTO") and various foreign national or international patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. Periodic maintenance fees on any issued patent are due to be paid to the CIPO, the USPTO and various foreign national or international patent agencies in several stages over the lifetime of the patent. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of patent rights include, but are not limited to, failure to timely file national and regional stage patent applications based on the Company's international patent application, failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. If the Company fails to maintain the patents and patent applications covering its product candidates, its competitors might be able to enter the market, which would have a material adverse effect on the Company's business.

While a patent may be granted by a national patent office, there is no guarantee that the granted patent is valid. Options exist to challenge the validity of a patent which, depending upon the jurisdiction, may include re-examination, opposition proceedings before the patent office, and/or invalidation proceedings before the relevant court. Patent validity may also be the subject of a counterclaim to an allegation of patent infringement.

Pending patent applications may be challenged by third parties in protest or similar proceedings. Third parties can typically submit prior art material to patentability for review by the patent examiner. Regarding Patent Cooperation Treaty applications, a positive opinion regarding patentability issued by the International Searching Authority does not guarantee allowance of a national application derived from the Patent Cooperation Treaty application. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and the patent's scope can be modified after issuance. It is also possible that the scope of claims granted may vary from jurisdiction to jurisdiction.

The grant of a patent does not have any bearing on whether the invention described in the patent application would infringe the rights of earlier filed patents. It is possible to both obtain patent protection for an invention and yet still infringe the rights of an earlier granted patent.

The Company may be sued by third parties for alleged infringement of their proprietary rights, which could be costly, time-consuming and limit the Company's ability to use certain technologies in the future.

The Company may become subject to claims that its technologies infringe upon the intellectual property or other proprietary rights of third parties. Any claims, with or without merit, could be time-consuming and expensive, and could divert the Company's management's attention away from the execution of its business plan. Moreover, any settlement or adverse judgment resulting from these claims could require the Company to pay substantial amounts or obtain a license to continue to use the disputed technology, or otherwise restrict or prohibit the Company's use of the technology. The Company cannot assure that it would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all, that the Company would be able to develop alternative technology on a timely basis, if at all, or that the Company would be able to obtain a license to use a suitable alternative technology to permit the Company to continue offering, and the Company's customers to continue using, the Company's affected product. An adverse determination also could prevent the Company from offering its products to others. Infringement claims asserted against the Company may have a material adverse effect on its business, results of operations or financial condition.

The Company may not be able to protect its intellectual property rights throughout the world.

Filing, prosecuting, and defending patents on all of the Company's product candidates throughout the world would be prohibitively expensive. Therefore, the Company has filed applications and/or obtained patents only in key markets including the United States and Canada. Competitors may use the Company's technologies in jurisdictions where it has not obtained patent protection to develop their own products and their products may compete with products of the Company.

If the Company is required to write down goodwill and other intangible assets, the Company's financial condition and results could be negatively affected.

Goodwill impairment arises when there is deterioration in the capabilities of acquired assets to generate cash flows, and the fair value of the goodwill dips below its book value. The Company is required to review its goodwill for impairment at least annually. Events that may trigger goodwill impairment include deterioration in economic conditions, increased competition, loss of key personnel, and regulatory action. Should any of these occur, an impairment of goodwill relating to the acquisition of Dronelogics Systems Inc. could have a negative effect on the assets of the Company.

From time to time, the Company may become involved in legal proceedings, which could adversely affect the Company.

The Company may, from time to time in the future, become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy, and disruptive to normal business operations. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on the Company's business, operating results, or financial condition.

The Company's directors and officers may have conflicts of interest in conducting their duties.

Because directors and officers of the Company are or may become directors or officers of other reporting companies or have significant shareholdings in other technology companies, the directors and officers of the Company may have conflicts of interest in conducting their duties. The Company and its directors and officers will attempt to minimize

such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against a particular matter in which the director has the conflict. In appropriate cases, the Company will establish a special committee of independent directors to review a particular matter in which several directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

The Company's Articles provide that the Company must indemnify a director or former director against all judgments, penalties or fines to which such person is or may be liable by reason of such person being or having been a director of the Company and the executive officers and directors may also have rights to indemnification from the Company, including pursuant to directors' and officers' liability insurance policies, that will survive termination of their agreements.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the Company's reported financial results or financial condition.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the Company's reported financial results or financial condition. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Company's business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change the Company's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Risks Related to the Company's Common Shares

The market price of the Common Shares is highly volatile.

The market price of the Common Shares is highly volatile and has been subject to wide fluctuations in response to a number of factors that are beyond the Company's control, including but not limited to

- revenue or results of operations in any quarter failing to meet the expectations, published or otherwise, of the investment community;
- actual or anticipated changes or fluctuations in its results of operations;
- announcements by us or the Company's competitors of new products or new or terminated significant contracts, commercial relationships or capital commitments;
- rumors and market speculation involving it or other companies in its industry;
- changes in its executive management team or the composition of the board of directors of the Company (the "Board");
- fluctuations in the share prices of other companies in the technology and emerging growth sectors;
- general market conditions and macroeconomic trends driven by factors outside the Company's control, such as pandemics, geopolitical conflicts, supply chain disruptions, market volatility, inflation, rising interest rates, political instability, and labor challenges, among other factors;
- actual or anticipated developments in its business or its competitors' businesses or the competitive landscape generally;

- litigation involving us, the Company's industry or both, or investigations by regulators into its operations or those of competitors;
- announced or completed acquisitions of businesses or technologies by the Company or its competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to its business;
- shareholder activism and related publicity;
- foreign exchange rates; and
- other risk factors as set out in this Annual Report and in the documents incorporated by reference into this Annual Report.

If the market price of the Company's Common Shares drops significantly, shareholders could institute securities class action lawsuits against it, regardless of the merits of such claims. Such a lawsuit could cause it to incur substantial costs and could divert the time and attention of management and other resources from the Company's business, which could harm its business, results of operations and financial condition.

There is no guarantee that an active trading market for the Company's Common Shares will be maintained on the CSE and/or Nasdaq. Investors may not be able to sell their Common Shares quickly or at the latest market price if the trading in our Common Shares is not active.

The Company's Common Shares are currently listed on the Canadian Stock Exchange ("CSE"), the Nasdaq Stock Market, LLC ("Nasdaq"), and the Frankfurt Stock Exchange, however, it shareholders may be unable to sell significant quantities of Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all and there can be no guarantee that an active trading market for the Common Shares may be maintained. There can be no assurance that there will be sufficient liquidity of its Common Shares on the trading market, and that we will continue to meet the listing requirements of the CSE, Nasdaq or any other public listing exchange.

Failure to meet Nasdaq's continued listing requirements could result in the delisting of the Company's Common Shares, negatively impact the price of the Company's Common Shares and negatively impact its ability to raise additional capital.

If the Company fails to satisfy the continued listing requirements of the Nasdaq, such as corporate governance requirements or the minimum closing bid price requirement, the exchange may take steps to delist the Company's Common Shares. Such a delisting would likely have a negative effect on the price of the Company's Common Shares and would impair shareholders' ability to sell or purchase its Common Shares when they wish to do so.

As previously disclosed, on September 22, 2023, the Company received a letter from the Listing Qualifications Department of Nasdaq notifying the Company of its noncompliance with Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Rule") by failing to maintain a minimum bid price for the Company's common shares of at least \$1.00 per share for 30 consecutive business days. The Company was allowed an initial 180-day grace period, or until March 20, 2024, (the "Bid Price Compliance Period"), to regain compliance with the Bid Price Rule. To regain compliance with the Bid Price Rule the closing bid price of the Company's common shares needed to be at least \$1.00 per share for a minimum of ten consecutive business days during the Bid Price Compliance Period.

On March 21, 2024, the Company received notification that it had failed to regain compliance with the Bid Price Rule and is not eligible for a second 180 day compliance period because of its failure to comply with the \$5 million minimum stockholders' equity initial listing requirement for the period ended September 30, 2023. Unless the Company timely requests a hearing before an independent Nasdaq Hearings Panel (the "Nasdaq Panel"), the Company's securities will be subject to delisting. Accordingly, the Company will request a hearing before the Nasdaq Panel. The hearing request will automatically stay any suspension or delisting action pending the hearing and the expiration of any additional extension period granted by the Nasdaq Panel following the hearing. In that regard, pursuant to the Nasdaq Listing Bid Price Rules, the Nasdaq Panel has the discretion to grant an additional extension period that can expire as late as September 17, 2024. At the hearing, the Company will be asked to provide a plan to regain compliance to the Nasdaq Panel. The Company intends to present a plan to regain compliance with the Bid Price Rule and request the continued listing of its common shares on Nasdaq pending such compliance. However, there can be no assurance that the Nasdaq Panel will grant the Company's request or that the Company will ultimately regain compliance with all applicable requirements for continued listing on Nasdaq.

Future issuances of equity securities by us or sales by the Company's existing shareholders may cause the price of its Common Shares to fall.

The market price of the Company's Common Shares could decline as a result of issuances of securities or sales by its existing shareholders in the market, including by its directors, executive officers and significant shareholders, or the perception that these sales could occur. Sales of the Company's Common Shares by shareholders might also make it more difficult for it to sell Common Shares at a time and price that it deems appropriate. The Company also expects to issue Common Shares in the future. Future issuances of Common Shares, or the perception that such issuances are likely to occur, could affect the prevailing trading prices of the Common Shares.

We may never pay dividends over the foreseeable future.

Investors should not rely on an investment in the Company's Common Shares to provide dividend income. The Company does not anticipate that it will pay any cash dividends to holders of its Common Shares in the foreseeable future. Instead, the Company plans to retain any earnings to maintain and expand its operations. In addition, any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on its Common Shares. Accordingly, investors must rely on sales of their Common Shares after price appreciation, which may never occur, as the only way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase the Company's Common Shares.

United States investors may not be able to obtain enforcement of civil liabilities against us.

The Company is incorporated under the laws of British Columbia, Canada, and its principal executive offices are located in Canada. Most of the Company's directors and officers and most of the experts named in this Annual Report reside outside of the United States and all or a substantial portion of the Company's assets and the assets of these persons are located outside the United States. Consequently, it may not be possible for an investor to effect service of process within the United States on the Company or those persons. Furthermore, it may not be possible for an investor to enforce judgments obtained in United States courts based upon the civil liability provisions of United States federal securities laws or other laws of the United States against those persons or the Company. There is doubt as to the enforceability, in original actions in Canadian courts, of liabilities based upon United States federal securities laws and as to the enforceability in Canadian courts of judgments of United States courts obtained in actions based upon the civil liability provisions of the United States federal securities laws. Therefore, it may not be possible to enforce those actions against the Company, certain of the Company's directors and officers or the experts named in this Annual Report.

We are an emerging growth company and intend to take advantage of reduced disclosure requirements applicable to emerging growth companies, which could make the Company's Common Shares less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act. We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which we have total annual gross revenue of \$1.07 billion or more; (ii) December 31, 2026 (the last day of the fiscal year ending after the fifth anniversary of the date of the completion of the first sales of its common equity pursuant to an effective registration statement under the Securities Act); (iii) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period; or (iv) the date we qualify as a "large accelerated filer" under the rules of the SEC, which means the market value of the Company's Common Shares held by non-affiliates exceeds \$700 million as of the last business day of its most recently completed second fiscal quarter after we have been a reporting company in the United States for at least 12 months. For so long as we remain an emerging growth company, we are permitted to and intend to rely upon exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 ("**Section 404**") of the Sarbanes-Oxley Act (2002), as amended (the "**Sarbanes-Oxley Act**").

We may take advantage of some, but not all, of the available exemptions available to emerging growth companies. We cannot predict whether investors will find the Company's Common Shares less attractive if it relies on these exemptions. If some investors find the Company's Common Shares less attractive as a result, there may be a less active trading market for its Common Shares and the price of its Common Shares may be more volatile.

We will incur increased costs as a result of operating as a public company in the United States and the Company's management will be required to devote substantial time to new compliance initiatives.

As a U.S. public company, particularly if or when we are no longer an "emerging growth company" as defined under the JOBS Act, we incur significant legal, accounting and other expenses, in addition to those we incur as a Canadian public company, that we did not incur prior to being listed on Nasdaq. In addition, the Sarbanes-Oxley Act, and rules implemented by the SEC and Nasdaq impose various other requirements on public companies, and the Company spends time and resources to ensure compliance with its reporting obligations in both Canada and the United States.

For example, pursuant to Section 404, we are required to furnish a report by our management on our internal control over financial reporting ("ICFR"), which, if or when we are no longer an emerging growth company, must be accompanied by an attestation report on ICFR issued by our independent registered public accounting firm. To achieve compliance with Section 404, we must document and evaluate our ICFR, which is both costly and challenging. In this regard, we must dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of our ICFR, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for ICFR. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude that our ICFR is effective as required by Section 404. This could result in a determination that there are one or more material weaknesses in our ICFR, which could cause an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

In addition, becoming a public company in the United States has increased legal and financial compliance as well as regulatory costs, such as additional Nasdaq fees, and has made some of our public company obligations more time consuming. We invest resources to comply with evolving laws, regulations and standards in both Canada and the United States, and this investment results in increased general and administrative expenses and increased diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with public company laws, regulations and standards in the United States are insufficient, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Being a public company in the United States and complying with applicable rules and regulations also makes it more expensive for us to obtain sufficient levels of director and officer liability insurance coverage. This factor may also make it more difficult for us to attract and retain qualified executive officers and members of our Board of Directors.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to the Company's U.S. shareholders.

We currently qualify as a "foreign private issuer" under applicable U.S. federal securities laws and, therefore, are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are required to file with or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, the Company's officers, directors and principal shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the Exchange Act. Therefore, the Company's shareholders may not know on as timely a basis when its officers, directors and principal shareholders purchase or sell our securities as the reporting periods under the corresponding Canadian insider reporting requirements are longer. In addition, as a foreign private issuer, the Company is exempt from the proxy rules under the Exchange Act. The Company is also exempt from Regulation FD, which prohibits issuers from making

selective disclosures of material non-public information. While the Company expects to comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive in every case the same information at the same time as such information is provided by U.S. domestic issuers.

In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. federal securities laws and Nasdaq listing rules and provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. We rely on this exemption in part. As a result, the Company's shareholders may not have the same protections afforded to shareholders of U.S. domestic issuers that are subject to all U.S. corporate governance requirements.

At some point in the future, we may cease to be a foreign private issuer. If we cease to qualify, we will be subject to the same reporting requirements and corporate governance requirements as a U.S. domestic issuer, which may increase the Company's costs of being a public company in the United States.

ITEM 4. INFORMATION ON THE COMPANY

4.A. History and Development of the Company

Name, Address and Incorporation

The Company was incorporated as Drone Acquisition Corp. ("**DAC**") under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") on June 1, 2018 for the purpose of reorganizing and recapitalizing the business of Draganfly Innovations Inc. ("**Former Draganfly**"). Effective July 17, 2019, the Company amended its articles to remove various classes of authorized but unissued preferred shares and replace them with only one class of preferred shares (the "**Preferred Shares**"). Effective August 15, 2019, the Company changed its name to "Draganfly Inc." On August 22, 2019, the Company amended its articles to re-designate its Class A Common Shares as Common Shares.

The Company's head office is located at 235 103rd St E, Saskatoon, SK, S7N 1Y8, Canada. The Company's telephone number is (800) 979-9794. The Company's registered office is located at Suite 2700, 1133 Melville Street, Vancouver, British Columbia V6E 4E5. The Company's registered agent in the United States is C T Corporation System, 1015 15th Street N.W., Suite 1000, Washington, D.C., 20005 and its telephone number is (202) 572-3133.

General Development of the Business of the Company

Founded in 1998, we believe that Former Draganfly is recognized as one of the first commercial multi-rotor manufacturers and has a legacy for its innovation and superior customer service. Zenon Dragan is the founder of Former Draganfly and is a recognized leading expert on UAV.

Former Draganfly introduced its first systems in 1999 and since evolved and shaped the UAV industry. The Company's aircraft are widely used by public safety agencies worldwide and we believe that we were one of the first UAV to receive a FAA (Federal Aviation Administration) Certificate of Authorization in the fall of 2009 with the Mesa County Colorado Sheriff's Office. In 2013, the Royal Canadian Mounted Police flew one of the Company's drones to locate and save the life of an accident victim.

We believe that Draganfly aircraft have achieved many industry firsts, including:

- one of the first public safety UAV to shoot aerial photos documenting a manned aircraft accident in an urban area;
- one of the first UAV operated by a public safety organization flown at night to locate and save a life;

- one of the first UAV helicopter to be granted a county wide U.S. FAA Certificate of Authorization;
- named as a test platform at one of the U.S. FAA's certified test sites;
- one of the first to have a drone included in the Smithsonian National Air and Space Museum; and
- four of the first six compliance certifications for its products issued by Transport Canada.

Three Year History

A detailed description on the significant developments of the business of the Company over the last three completed financial years is set out below.

Financial year ended December 31, 2021

On January 6, 2021, the Company announced the awarding of a new patent for a vertical take-off and landing cargo delivery drone with variable center of gravity.

On January 21, 2021, the Company announced that it had been selected to provide engineering and development services for a drone-based air support defense system for Integrated Launcher Solutions Inc. (“**ILS**”). The Company entered into a memorandum of understanding with ILS with the objective to create the terms and conditions surrounding a project management and development agreement for the production of ILS's multi-launching air support defense system. The development of the system has not yet been completed.

On March 2, 2021, the Company announced that it will be the exclusive supplier of drones to Woz ED's drone program across its national K-12 curriculum with the expected deployment of approximately 3000 drones in 2021. The Company entered into a memorandum of understanding with Woz ED with the objective to create the terms and conditions surrounding a business agreement. The memorandum of understanding automatically terminated after 60 days.

On March 9, 2021, the Company announced that it completed the final closing of the Regulation A+ Offering. The Company issued 32,443,457 units at price of US\$0.47 per unit for gross proceeds in the amount of approximately US\$15.3 million in the final closing. Each unit is comprised of one Common Share and one Common Share purchase warrant, with each warrant entitling the holder to acquire one Common Share at a price of US\$0.71 per Common Share for a period of two years from the date of issuance. The Common Shares and Warrants issued in connection with the offering were subject to a nine month hold period.

On March 9, 2021, the Company also announced that it entered into an asset purchase agreement with Vital Intelligence Inc. (“**Vital**”) to purchase all the assets of Vital (the “**Vital Asset Acquisition**”) in consideration for: (a) a cash payment of \$500,000 with \$50,000 paid upon execution of the asset purchase agreement, \$200,000 to be paid at closing and \$250,000 to be paid on the six-month anniversary date of closing; and (b) 6,000,000 units of the Company with each unit being comprised of one Common Share and one common share purchase warrant. The units were subsequently consolidated on a 5:1 basis, resulting in 1,200,000 units outstanding. Each warrant will entitle the holder to acquire one Common Share for a period of 24 months following closing at an exercise price of \$2.67 per Common Share and the Company will be able to accelerate the expiry date of the warrants after one year in the event the underlying common shares have a value of at least 30% greater than the exercise price of the warrants. The units will be held in escrow following closing with 300,000 units being released at closing and the remainder to be released upon the Company reaching certain revenue milestones received from the purchased assets. The Company completed the Vital Asset Acquisition on March 25, 2021. The revenue milestone targets attributable to the purchased assets under the Vital Asset Acquisition have not been met, and accordingly, the Company is in the process of cancelling the 900,000 shares issuable pursuant to the units issued in connection with the Vital Asset Acquisition.

On March 23, 2021, the Company announced that it signed a services deal to deploy EagleEye™ AI flight services with Windfall Geotek Inc. Windfall Geotek Inc. contractually agreed to have Draganfly provide \$1,000,000 in flight services over the course of the next year with \$500,000 already directly funded and allocated as of the date of the agreement.

On May 13, 2021, the Company announced that it entered into a definitive agreement with Coldchain Technology Services LLC (“Coldchain”) to develop, deploy and operate solutions for the delivery of medical supplies, medicine, and vaccines. The definitive agreement provides for phase one of a planned five-phase roll-out for the comprehensive development, deployment, and operation of a medical drone delivery service as well as the development of a solution for the timely delivery of medical supplies, medicine, and vaccines. Phase one will also include working with various regulatory bodies, including the FAA, to obtain licenses and approvals for initial non-commercial beta test delivery routes. Phase one has a value of US\$125,000, to be executed over a maximum of 10 months and the parties have agreed to negotiate an extension to the definitive agreement for phase two prior to the expiry of phase one. Under phase two, Coldchain will commit to purchasing no less than US\$625,000 in equipment and services from Draganfly.

On May 19, 2021, the Company announced that it signed a contract with ILS for the development, prototyping, and eventual production of a non-lethal 40 mm multi-launching systems that can be mounted and deployed from drones, drone systems, robots, robotic systems, and other stationary platforms or similar systems. As part of the contract, Draganfly provided ILS with strategic vendor financing of US\$150,000 to assist in the development of the project and in consideration ILS granted Draganfly a worldwide royalty equal to 8% of the gross revenue received from the project for a period of five years from earlier of the repayment date or maturity date of the loan. The loan is secured against the intellectual property related to the project.

On July 22, 2021, the Company announced the expected listing of its Common Shares on the Nasdaq, subject to meeting the final listing requirements of Nasdaq.

On July 29, 2021, in connection with the proposed listing of its Common Shares on Nasdaq, the Company consolidated its Common Shares on a basis of one new Common Share for every five then issued and outstanding Common Shares under a new CSE stock symbol “DPRO”.

On July 29, 2021, the Company announced that its application to list its Common Shares on the Nasdaq was approved by The Nasdaq Stock Market LLC and the Common Shares began trading on July 30, 2021 under the symbol “DPRO”.

On August 3, 2021, the Company announced that it completed an underwritten public offering in the United States (the “US Offering”) of 5,000,000 Common Shares at a price of US\$4.00 per Common Share, for total gross proceeds of approximately US\$20,000,000, before deducting underwriting discounts and expenses of the US Offering.

On August 12, 2021, the Company announced that it launched its new, North American designed and built, Draganflyer Commander2 drone system. The Draganflyer Commander2 is a small Unmanned Aerial System (sUAS) and replaced the Company’s Commander platform launched in 2015.

On September 9, 2021, the Company announced that Julie Myers Wood was appointed to the Board and that Justin Hannewyk resigned from the Board.

On September 15, 2021, the Company announced that the over-allotment option granted to the underwriters in connection with the US Offering was exercised in respect of 95,966 Common Shares. The exercise of the over-allotment at US\$4.00 per Common Share produced additional gross proceeds of US\$383,864, bringing the aggregate gross proceeds to Draganfly under the US Offering to US\$20,383,864, before deducting underwriting discounts and expenses of the US Offering.

On September 22, 2021, the Company announced that it entered into an exclusive manufacturing agreement with Valqari LLC (“**Valqari**”) to produce Valqari’s Drone Delivery Stations. As per the manufacturing agreement, Draganfly will be the exclusive manufacturer of Valqari’s Drone Delivery Stations. Valqari will be ordering at least \$400,000 of manufacturing services during the initial phase of the agreement.

On October 12, 2021, the Company announced that it signed a minimum \$9 million manufacturing agreement with Digital Dream Labs, Inc. (“**DDL**”) to design and develop an AI consumer companion robot drone. As per the terms of the agreement, Draganfly will be the exclusive manufacturer and assembler of the drone. DDL will order at least 50,000 units annually with delivery starting in 2022. The drone will be integrated into DDL’s existing product family, including support, sales and distribution channels used for its other consumer robots. Draganfly has also been granted a right of first refusal to become the exclusive manufacturer and assembler of subsequent drone or UAV-based robots to be added to DDL’s product portfolio. The parties have entered into a binding letter agreement reflecting the above terms and will use commercially reasonable efforts to enter into a definitive agreement. The binding letter agreement will govern the relationship between DDL and Draganfly and there can be no assurance that a definitive agreement will be completed or entered into amongst the parties.

Financial year ended December 31, 2022

On March 22, 2022, the Company announced that it had received an order for the Company’s Medical Response and Search and Rescue Drones from Coldchain for immediate deployment with Revived Soldiers Ukraine. Draganfly provided an immediate combined total of 10 North American-made Medical Response and Search and Rescue Drones. In addition, Draganfly donated three drone systems to Revived Soldiers Ukraine. The total initial order size (subject to conditions) is up to 200 units.

On May 9, 2022, the Company announced that John M. Mitnick was appointed as Chairman of the Board, effective April 27, 2022.

On May 9, 2022, the Company announced that Cameron Chell, Chief Executive Officer of the Company, was appointed as President of the Company, effective April 27, 2022.

On May 9, 2022, the Company announced that Scott Larson would be stepping down as Interim President and appointed as Lead Director effective April 27, 2022.

On May 9, 2022, the Company announced that Paul Mullen, Vice President of Draganfly’s Vital Intelligence Group, was appointed as Chief Operating Officer of the Company, effective March 1, 2022 .

On June 1, 2022, the Company announced the launch of its new North American-made Heavy Lift and Commander 3 XL Drones. The Heavy Lift is capable of automated missions and manual flight operations with a payload capacity of 67 pounds. The Commander 3 XL is a high-endurance, weather-resistant, multirotor UAV that is designed for easy assemble and rapid deployment.

On June 7, 2022, the Company announced the launch of its new North American-made Long-range Light Detection and Ranging (“**LiDAR**”) system. The LiDAR system provides accurate distance measurements and improved resolution over conventional photogrammetry methods.

On June 21, 2022, the Company announced that Alabama State University (ASU) was offering the Draganfly Drone Technology Course through ASU’s Division of Continuing Education. The program provides an introduction to unmanned aerial vehicles (UAVs) and explores advanced topics including regulations, airspace operations, and navigation.

On August 1, 2022, the Company announced that Deborah R. Greenberg, was appointed as Chief Legal Officer of the Company, effective July 4, 2022. Her role was subsequently expanded to include the Human Resources and Information Technology functions as the Chief Legal and Corporate Services Officer, effective December 1, 2022.

On November 17, 2022, the Company announced DEF-C, a Ukrainian company involved in the civil and defense sectors, had selected the Company as an exclusive provider of drones and related services.

On November 18, 2022, the Company announced the fulfillment of an additional order of 30 reconnaissance drones through its channel partner DEF-C, along with continued support from DroneAid. Draganfly's drone technology is being deployed to provide valuable intelligence, surveillance, and reconnaissance information. On December 7, 2022, the Company announced the launch of the Draganfly UAS A.I.R. Space flight facility dedicated to the advancement of Unmanned Aircraft Systems program Adoption, Innovation & Research. The facility will provide a control site for the design, validation and optimization of standard operating procedures, sensor selection and data collection techniques.

Financial year ended December 31, 2023

On January 31, 2023, the Company announced Remote Sensing Instruments, a Geospatial Technology company in India working in the field of Remote Sensing and Geographic Information System, entered into a strategic agreement with the Company for the development of manufacturing, distribution, and sales of Draganfly products in India.

On January 31, 2023, the Company entered into an equity distribution agreement with Maxim Group LLC dated January 31, 2023, pursuant to which the Company could, from time to time, distribute in an "at-the-market offering" up to US\$15 million in common shares of the Company (the "**ATM Shares**") in the United States only, on Nasdaq. The Company distributed 650,729 ATM Shares under the Offering at an average price of \$2.69 per share for net proceeds of \$1,526,810.

On February 23, 2023, the Company announced that it entered into a distribution agreement with AeroCine Ventures, Inc. d/b/a Vermeer. Pursuant to the distribution agreement, Vermeer will distribute Draganfly's products that include the Vermeer VPS (visual positioning system) payload with Draganfly's Commander 3XL.

On March 7, 2023, Draganfly announced that it entered into a business development and partnership agreement with SkyeBrowse Inc. ("**SkyeBrowse**"), whereby SkyeBrowse will integrate its reality capture platform with Draganfly public safety drones. As per the agreement, the Company will provide consulting and marketing services to SkyeBrowse for two years.

On March 31, 2023, the Company announced the closing of a firm commitment underwritten public offering with gross proceeds to the Company expected to be US\$8.0 million, before deducting underwriting discounts and other estimated expenses payable by the Company. The offering consisted of 8,000,000 common shares at a price to the public of US\$1.00 per share.

On April 11, 2023, the Company announced that it entered into a strategic cooperation and product integration agreement with CODAN Communications ("**CODAN**"), to supply its UAV platform for integration with CODAN's technology and communications solutions. Under the terms of the agreement, CODAN and the Company agree to combine their respective capabilities in a joint effort to integrate their product and services capabilities in order to submit joint proposals and enter into contracts with potential customers.

On April 19, 2023, Draganfly announced it entered into a referral agreement with AgileMesh, Inc. ("**AgileMesh**") whereby AgileMesh will add the Company's UAV Platform to its wireless surveillance product line and refer potential customers to Draganfly. As per the agreement, AgileMesh will receive commissions based on the aggregate amount of revenue recognized by the Company from customers that are introduced to Draganfly by AgileMesh.

On June 21, 2023, the Company announced it had entered into an agreement with HEAL-Corp, a Non-Government Organization (“NGO”), and the Ukrainian National Academy of Internal Affairs (the “**National Academy**”) regarding the development of a training program on the use of drones and their countermeasure systems. Working in conjunction with the National Academy, Draganfly will implement a designed curriculum to be used within the training program. Recently, HEAL-Corp delivered Trauma Resuscitation and Evacuation Casualty Care training to the Ministry of Internal Affairs.

On August 3, 2023, Draganfly announced its new manufacturing facility in Saskatoon, Saskatchewan is scheduled to come online in Q3. This expansion is part of Draganfly’s commitment to meeting the increasing market potential for products and solutions. The Saskatoon facility is specifically designed to accommodate a growing demand for UAV systems and components, including those engineered for the Heavy Lift, Commander 3 XL, and the Company’s newest product, the Precision Delivery System.

On August 23, 2023, the Company announced it will be providing drone pilot crews and drone technology to a Canadian Provincial Government to assist with firefighting mitigation, preparedness, response, and recovery efforts. Draganfly’s advanced drone technology and highly trained personnel will aid emergency services in their mission to protect lives, property, infrastructure, and ecosystems.

On September 7, 2023, Draganfly announced that Tim Dunningan was appointed to Draganfly’s Advisory Board to help lead Company’s initiatives for the new Pentagon Replicator program, a Department of Defence initiative announced in August 2023. The program aims to rapidly expand domestic sUAS production & innovation for military applications.

On September 12, 2023, the Company announced it was awarded a contract to provide its Vital Intelligence technology to a state corrections agency to its facilities enhance security and efficiency for the benefit of the community, the staff, and the inmates.

On September 22, 2023, the Nasdaq notified the Company that the closing price of its Common Shares for the 30 consecutive business day period from August 10, 2023 to September 21, 2023 did not meet the Minimum Bid Price Requirement of Nasdaq’s rules. The notice has no immediate effect on the listing of the Common Shares, and the Common Shares continued trade on the Nasdaq under the symbol “DPRO”. Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company was given 180 calendar days (or until March 20, 2024) to regain compliance with the Minimum Bid Price Requirement, unless Nasdaq were to grant the Company, upon request, an additional 180 calendar day extension to meet such requirements. To regain compliance, the Common Shares must have a closing bid price of US\$1.00 for a minimum of 10 consecutive business days. If the Company does not regain compliance with the Minimum Bid Price Requirement (including through the implementation of a reverse share split or another means) by March 20, 2024, the Common Shares may subject to delisting.

On September 27, 2023, the Company announced its new manufacturing and production facility in Saskatoon, Saskatchewan, had officially opened.

On October 30, 2023, Draganfly announced that it had closed its underwritten offering for gross proceeds of approximately US\$3.5 million (the “**October Public Offering**”), before deducting underwriting discounts and offering expenses. Pursuant to the Offering, the Company issued 4,800,000 units of the Company (the “**Units**”) at a price of US\$0.55 per Unit and 1,600,000 pre-funded units of the Company (the “**Pre-Funded Units**”) at a price of US\$0.5499.

January 1, 2024 to the Effective Date

On February 26, 2024, the Company announced that it completed an underwritten share placement of 11,200,000 units (the “**February Units**”) with each February Unit consisting of one common share and one warrant to purchase one common share and 2,200,000 units (the “**February Pre-Funded Units**”) consisting of one pre-funded warrant to

purchase one common share and one warrant to purchase one common share (the “**February Public Offering**”). Each February Unit was sold at a price of US\$0.27 with each February Pre-Funded Unit being sold at a price of US\$0.2699 for gross proceeds of approximately US\$3.6 million. The pre-funded warrants have an exercise price of US\$0.0001 and were exercised on the date of issue. The remaining warrants have an exercise price of US\$0.36 and are exercisable immediately with a term of 5 years. As part of the February Public Offering, 670,000 warrants were issued to the underwriter with an exercise price of US\$0.3375 USD and will have a term of 3 years.

On March 13, 2024, the Company announced that Knightscope, Inc. had selected Draganfly to jointly develop an autonomous security solution that combines Draganfly drones with Knightscope Autonomous Security Robots (ASRs), emergency communications devices & Knightscope Security Operations Center (KSOC) user interface & remote monitoring platform.

As previously disclosed, on September 22, 2023, the Company received a letter from the Listing Qualifications Department of Nasdaq notifying the Company of its noncompliance with Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Rule”) by failing to maintain a minimum bid price for the Company’s common shares of at least \$1.00 per share for 30 consecutive business days. The Company was allowed an initial 180-day grace period, or until March 20, 2024, (the “Bid Price Compliance Period”), to regain compliance with the Bid Price Rule. To regain compliance with the Bid Price Rule the closing bid price of the Company’s common shares needed to be at least \$1.00 per share for a minimum of ten consecutive business days during the Bid Price Compliance Period.

On March 21, 2024, the Company received notification that it had failed to regain compliance with the Bid Price Rule and is not eligible for a second 180 day compliance period because of its failure to comply with the \$5 million minimum stockholders’ equity initial listing requirement for the period ended September 30, 2023. Unless the Company timely requests a hearing before the Nasdaq Panel, the Company’s securities will be subject to delisting. Accordingly, the Company will request a hearing before the Nasdaq Panel. The hearing request will automatically stay any suspension or delisting action pending the hearing and the expiration of any additional extension period granted by the Nasdaq Panel following the hearing. In that regard, pursuant to the Nasdaq Listing Bid Price Rules, the Nasdaq Panel has the discretion to grant an additional extension period that can expire as late as September 17, 2024. At the hearing, the Company will be asked to provide a plan to regain compliance to the Nasdaq Panel. The Company intends to present a plan to regain compliance with the Bid Price Rule and request the continued listing of its common shares on Nasdaq pending such compliance. However, there can be no assurance that the Nasdaq Panel will grant the Company’s request or that the Company will ultimately regain compliance with all applicable requirements for continued listing on Nasdaq.

Significant Acquisitions During 2023

Draganfly did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

Market for Securities

Trading Price and Volume of Common Shares

The Common Shares are listed and posted for trading on the CSE and Nasdaq under the symbol “DPRO”. The following table sets forth the price range (high and low prices) in Canadian dollars of the Common Shares and volume traded on the CSE, for the periods indicated (as reported by the CSE).

Period	High (C\$)	Low (C\$)	Volume
2023			
January	3.00	1.00	1,971,827
February	3.25	2.13	1,877,541

March	3.30	1.42	1,549,495
April	1.82	1.03	1,136,064
May	1.46	1.04	430,076
June	2.00	1.15	945,413
July ⁽¹⁾	1.70	1.29	390,332
August	1.42	1.05	304,315
September	1.25	1.00	278,217
October	1.12	0.78	347,737
November	0.96	0.67	316,381
December	0.81	0.57	647,771
2024			
January	0.69	0.47	612,188
February	0.64	0.19	4,550,499
March 1 - 25	0.29	0.20	1,515,704

The following table sets forth the price range (high and low prices) in United States dollars of the Common Shares and volume traded on the Nasdaq, for the periods indicated (as reported by the Nasdaq).

Period	High (\$)	Low (\$)	Volume
2023			
January	2.28	0.73	13,716,956
February	2.47	1.56	14,658,876
March	2.45	1.06	11,127,171
April	1.34	0.76	12,336,681
May	1.07	0.76	4,093,398
June	1.48	0.83	8,128,820
July ⁽¹⁾	1.27	0.96	4,645,529
August	1.06	0.78	5,368,500
September	0.92	0.75	3,709,700
October	0.80	0.55	3,999,639
November	0.59	0.51	4,087,691
December	0.60	0.42	6,829,532
2024			
January	0.50	0.34	4,574,668
February	0.47	0.13	36,962,400
March 1 - 25	0.20	0.15	18,028,400

Prior Sales

The following tables summarize the issuances of unlisted securities for the year ended December 31, 2023 and issuances subsequent to December 31, 2023 and as of the date of this report:

Warrants

Date of Issuance	Number of Warrants Issued	Exercise Price
October 30, 2023	6,400,000 ⁽¹⁾	US\$ 0.6123
October 30, 2023	1,600,000 ⁽²⁾	US\$ 0.0001
October 30, 2023	320,000 ⁽³⁾	US\$ 0.6875
February 26, 2024	11,200,000 ⁽⁴⁾	US\$ 0.36
February 26, 2024	2,200,000 ⁽⁵⁾	US\$ 0.0001
February 26, 2024	670,000 ⁽⁶⁾	US\$ 0.3375

Notes:

- (1) Pursuant to the October Public Offering, 6,400,000 Common Share purchase Warrants were issued (the “**October Warrants**”). Each October Warrant entitles the holder thereof to purchase one Common Share at an exercise price of US\$0.6123, subject to adjustment, until October 30, 2028.
- (2) Pursuant to the October Public Offering, 1,600,000 pre-funded warrants were issued (the “**October Pre-Funded Warrants**”). Each October Pre-Funded Warrant entitles the holder thereof to purchase one Common Share at an exercise price of US\$0.0001.
- (3) Pursuant to the October Public Offering, 320,000 underwriter warrants were issued (the “**October Underwriter Warrants**”). Each October Underwriter Warrant entitles the holder thereof to purchase one Common Share at an exercise price of US\$0.6875 until October 30, 2026.
- (4) Pursuant to the February Public Offering, 11,200,000 Common Share purchase Warrants were issued (the “**February Warrants**”). Each February Warrant entitles the holder thereof to purchase one Common Share at an exercise price of US\$0.36, subject to adjustment, until February 26, 2029.
- (5) Pursuant to the February Public Offering, 2,200,000 pre-funded warrants were issued (the “**February Pre-Funded Warrants**”). Each February Pre-Funded Warrant entitles the holder thereof to purchase one Common Share at an exercise price of US\$0.0001.
- (6) Pursuant to the February Public Offering, 670,000 underwriter warrants were issued (the “**February Underwriter Warrants**”). Each February Underwriter Warrant entitles the holder thereof to purchase one Common Share at an exercise price of US\$0.3375 until February 26, 2027.

Stock Options

Date of Grant	Number of Stock Options Granted	Exercise Price
November 9, 2023	30,000 ⁽¹⁾	C\$ 0.6260

Note:

- (1) Each stock option is exercisable into one Common Share by November 9, 2033.

Restricted Share Units

The Company granted restricted share units (“**RSUs**”) pursuant to its share compensation plan exercisable for an aggregate of 1,685,316 Common Shares.

Date of Grant	Number of RSUs Granted	Grant Date Fair Value
May 29, 2023	1,685,316	C\$ 1.13

Escrowed Securities

The following table summarizes the Company’s securities that remain in escrow or subject to restrictions on transfer as of the date hereof:

Designation of Class	Number of securities held in escrow or that are subject to contractual restriction on transfer	Percentage of Class
October Underwriter Warrants	320,000 ⁽¹⁾	100%
February Underwriter Warrants	670,000 ⁽²⁾	100%

Notes:

- (1) Pursuant to the October Public Offering, 320,000 October Underwriter Warrants were issued and are subject to a contractual restriction on exercising such that these warrants may only be exercised after April 30, 2024, and may not be transferred, other than pursuant to exceptions under FINRA Rule 5110(e)(2) for a period of 180 days from the commencement of sales made under the October Public Offering.
- (2) Pursuant to the February Public Offering, 670,000 February Underwriter Warrants were issued and are subject to a contractual restriction on exercising such that these warrants may only be exercised after August 21, 2024, and may not be transferred, other than pursuant to exceptions under FINRA Rule 5110(e)(2) for a period of 180 days from the commencement of sales made under the February Public Offering.

Dividends

The Company has not declared or paid a dividend. Other than the requirements of the BCBCA, there are no restrictions on the Company that would prevent it from paying a dividend. However, as of March 27, 2024, the Board intends to retain any future earnings (when available) for reinvestment in the Company's business, and therefore, it has no current intention to declare or pay dividends on the Common Shares in the foreseeable future. Any future determination to pay dividends on the Common Shares will be at the sole discretion of the Board of Directors after considering a variety of factors and conditions existing from time to time including its earnings, financial condition and other relevant factors.

Legal Proceedings and Regulatory Actions

Draganfly is not, and has not been at any time within the most recently completed financial year, a party to any legal proceedings, nor is or was Draganfly's property the subject of any legal proceedings, known or contemplated, that involves a claim for damages exclusive of interest and costs that met or exceeded 10% of the Company's current assets.

Further, there have not been any (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2023, (b) any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, or (c) settlement agreements entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2023.

Interests of Management and Others in Material Transactions

Other than as set forth herein, or as previously disclosed, the Company is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any shareholder holding more than 10% of the Common Shares or any associate or affiliate of any of the foregoing in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Company which has or will materially affect the Company.

Auditor, Transfer Agent and Registrar

The auditors of the Company are Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants, 1500-1700, 1140 W Pender Street, Vancouver, BC V6E 4G1.

Endeavor Trust Corporation is the transfer agent and registrar for the Common Shares at its principal office in Vancouver, British Columbia.

Interests of Experts

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or related to, the Company's most recently completed financial year other than Dale Matheson Carr-Hilton Labonte LLP, the Company's auditors.

Dale Matheson Carr-Hilton Labonte LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant bodies in Canada and any applicable legislation or regulations.

Denis Silva, a director of the Company, is a lawyer at DLA Piper (Canada) LLP, which law firm provides legal services to the Company. As of the date hereof, the associates and partners of DLA Piper (Canada) LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

Additional Information

Additional information about the Company is available on SEDAR+ at www.sedarplus.ca and on our website at www.draganfly.com. We do not incorporate the contents of our website or of www.sedar.com into this Annual Report. Information on our website does not constitute part of this Annual Report. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC which can be viewed as www.sec.gov.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Draganfly's securities and securities authorized for issuance under equity compensation plans, where applicable, will be contained in Draganfly's information circular for the next annual meeting of shareholders that involves the election of directors and additional information as provided in Draganfly's comparative financial statements for its most recently completed financial year. Draganfly will provide this information to any person, upon request made to the Chief Financial Officer of Draganfly at 235 103rd St E, Saskatoon, SK, S7N 1Y8, Canada. The documents will also be located on SEDAR+ at www.sedarplus.ca.

Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the period ended December 31, 2023, which are also available on SEDAR+.

4.B. Business Overview

General

The Company is an award-winning, manufacturer, contract engineering, and product development company within the UAV space, serving the public safety, agriculture, industrial inspections, and mapping and surveying markets. The Company is 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.

The business of the Company is conducted through three wholly-owned subsidiaries: (a) Draganfly Innovations Inc.; (b) Draganfly Innovations USA Inc.; and (c) Dronelogics Systems Inc.

The business of Draganfly Innovations and Draganfly Innovations USA is the provision of engineering services and manufacture of commercial UAV, RPAS, and UVS (unmanned vehicle system) and software, serving the public safety, agriculture, industrial inspections, and mapping and surveying markets.

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.

Drone Industry Overview

Drones or UAV have rapidly evolved from a military origin to commercial and civil government applications from security to farming. The increased automation of drones provides additional value to existing workflows, triggering more widespread adoption. A global shift to sustainable and eco-friendly options has further increased demand for drone usage.

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Drone applications are being utilized in multiple industries on a global basis. The Company believes that defense will remain the largest market over the foreseeable future. However, the mobile phone industry created an affordable technology stack for drones. The ability to carry a camera enabled many people to utilize the platforms for media production and beyond. That demand initiated in the consumer market and has migrated along with technological advancements into the growth of commercial drone industry.

The major segments of the drone market are drone hardware, software and services. Drone hardware are the physical goods, including drone platforms, aerial mobility platforms and components and systems. The software segment includes flight planning, navigation and computer vision, unmanned traffic management (“UTM”), fleet operations, ecosystems, networks and software development kits (“SDKs”). Drone services include the provision of flight operations, data analysis and hardware repair and maintenance. Drone service providers (“DSPs”) include system integrators, pilot training providers, retailers and marketplaces, coalitions and organizations, drone test sites, insurance providers and university/educational facilities. The commercial drone industry has been growing rapidly in recent years, with drones becoming increasingly popular for a wide range of applications. From capturing aerial footage to conducting inspections of infrastructure, drones offer a cost-effective and efficient solution to a range of tasks. According to Teal Group, the global market for commercial drones is expected to reach \$18.88 billion by 2030, with strong demand coming from industries such as agriculture, construction, and logistics.

One of the biggest drivers of growth in the commercial drone industry is the availability of advanced technologies such as Artificial Intelligence (“AI”), machine learning, and computer vision. These technologies enable drones to perform a wide range of tasks that were previously difficult or impossible, such as automated inspections and precision agriculture. Additionally, the development of high-quality, light-weight sensors and cameras has made it possible to capture high-resolution images and video footage, in challenging environments.

Drone application methods are being used by a variety of industries today. There are approximately eight methods that are garnering the most attention: mapping, surveying, inspection, filming/photography, dispensing/spraying, warehousing, monitoring/detection, and delivery. These applications are being used today by the civil government, educational facilities, agricultural, construction, health care, real estate, energy, transportation, insurance, security, and scientific industries.

Products and Services

The Company can provide its customers with an entire suite of products and services that include: quad-copters, fixed wing aircrafts, ground based robots, handheld controllers, flight training, and software used for tracking, live streaming, and data collection. In addition, Draganfly has launched a health/telehealth platform that is a set of technologies that remotely detects a number of biometrics ,such as heart rate, oxygen saturation and blood pressure. The Company is also offering sanitary spraying services to indoor and outdoor public gathering spaces such as sport stadiums and fields to provide additional protection against the spread of contagions, such as COVID-19.

The Company generates revenues across the following categories

Category of Activity	Revenues		
	Fiscal year ended December 31,		
	2023	2022	2021

Product Sales	\$	5,287,093	\$	5,550,432	\$	5,103,399
Provision of Services	\$	1,267,749	\$	2,054,627	\$	1,950,466

The Company did not derive significant revenue from any customers that exceed 10% of total revenues for the year ended December 31, 2023, or December 31, 2022.

Draganfly Products

Manufactured Solutions

The Company is among the longest-running manufacturers of multirotor drones in the world. Draganfly's drones include the following:

- *Draganfly Commander 3XL* - The Commander 3 XL Drone is a modular platform capable of carrying payloads of more than 20 pounds making it the ideal choice for industry leaders across a variety of major markets including public safety and agriculture. The Commander 3 XL Drone's fuselage consists of a simple rectangular tube. Each component of the drone has been specifically designed to ensure the airframe can pack down into a transportable case.
- *Draganfly Heavy Lift Drone* - The Draganfly Heavy Lift Drone is a versatile, multi-rotor unmanned aerial vehicle (UAV), designed to enhance deliveries and flight times. Compatible with a variety of interchangeable payloads, this heavy-duty drone can carry more and fly longer. The DHL Drone can be configured to carry up to 67 pounds.
- *Draganflyer Commander2* – The Draganflyer Commander2 is a multi-mission, high-endurance, electric sUAS that combines the signature design elements of our past Draganflyer systems with the most advanced features to date. The Commander2 can be used for numerous applications across many industries including agriculture, public safety, and aerial 3D modeling. Paired with powerful MAVLink-based flight planning software, the Draganflyer Commander2 supports both fully- and semi-automated missions, as well as manual flight operations with a pilot in the loop for a high level of system control to handle any operational task.
- *Draganfly Medical Response* – The Draganfly Medical Response Drone is an integrated solution that features a Draganfly Drone combined with a cold-chain logistics enclosure. This solution is able to provide first responders with visual oversight of a scene and ensures the timely delivery of temperature-sensitive medical supplies including blood, vaccines and test samples to dangerous or hard-to-reach areas.
- *Draganfly Long Range LiDAR* - Draganfly's Long Range LiDAR (DLR- LiDAR) system provides accurate distance measurements and improved resolution over conventional photogrammetry methods. The cutting-edge sensor technology can be mounted on UAV, airplanes, and helicopters for those professionals requiring precision imagery.
- *Tango2* – a high endurance, dual battery, sUAS capable of carrying a wide array of payload systems. The aircraft utilizes the Draganfly intelligent power management system to extend flight time while increasing safety. This sUAS is ideal for agricultural monitoring and research, mapping, surveying, environmental monitoring, and search and rescue.

Universal Control System

The Draganfly Universal Control System is a complete, handheld ground control system that is built to integrate with other software and hardware systems. The Draganfly Universal Control System is designed to provide precise control over sUAS helicopters, fixed-wing, and ground-based robots. Draganfly software provides sophisticated flight planning, automated takeoff, grid following, waypoints, landing, data collection, and video downlink.

Software

The Draganfly Surveyor drone flight planning software is an intuitive, easy to use, application that enables customers to quickly plan, fly, and process meaningful data. Based on the project, camera type, optics, and altitude, the drone software determines the appropriate camera shutter interval, aircraft speed, and flight plan to capture the optimum required photo overlap to generate 2D and 3D maps and models. The Draganfly Surveyor directly integrates with Pix4Dmapper for survey-grade results and can be used alongside other third-party photogrammetry programs.

Vital Intelligence

The Draganfly Vital Intelligence platform is a touchless health assessment system that leverages proprietary machine-vision methods to measure biometrics such as heart rate, oxygen saturation and blood pressure. Vital Intelligence is a data platform that turns an existing camera into a touchless detection system. Draganfly integrates this technology into a variety of platforms and camera systems – both on the ground and in the air – to support use cases such as visitor intake and other general health and wellness applications.

Draganfly Services

Custom Engineering

Draganfly is a contract engineering partner for government agencies, enterprise organizations, academic institutions, and businesses of all sizes. The Draganfly team's truest capabilities are actualized during the engineering process as hardware designers, software designers, engineers, project managers, and vertical-specific experts come together to build custom drone solutions for its partners. Draganfly's end-to-end engineering services include:

- Hardware design: Component, product, and system design;
- Software design: Custom software and interface design;
- Development: Including integration with third party platforms, PixX4D, Pixhawk, Ardupilot, DJI and more;
- Modeling: 3D design and modeling of mechanical components;
- ITAR (International Traffic in Arms Regulations) equipment management: Approved handling and integration of ITAR, and Controlled Goods technologies; and
- Support: Testing, training, documentation, and repairs.

Training

Draganfly offers custom-designed training packages that are tailored to specific operations and use cases. The Company also offers basic training for new UAV owners, and advanced classes for users who understand the fundamentals and are looking for new ways to increase flight efficiency or comply with federal regulations.

Flight Services

Draganfly has a team of qualified pilots that conduct flights on behalf of its customers. The team specializes in working with emergency services including police, fire, and search and rescue personnel. Draganfly also supports industrial applications, utility and power companies, environmental and agricultural entities and others.

Geographic Information Systems (GIS) Data Services

Draganfly has a team of qualified GIS Data Specialists and Surveyors that support the delivery of services to clients in various markets. These services include the creation and maintenance of data sets of spatial analysis.

Spraying Services

Draganfly operates, in partnership with a leader in natural and organic disinfectants, to administer a sanitization spraying service in large public venues by misting a surface spray across the entire venue in four to six hours.

Principal Markets

Draganfly has more than 20 years of experience designing and manufacturing professional drones for military, public safety, energy, agriculture, and insurance. Draganfly has sold products and services to a number of countries but predominantly focuses on the North American market given its geographical location.

Military and Government

Military and government contractors have partnered with Draganfly to improve personnel and infrastructure safety. Draganfly works with partners to design and manufacture custom airframes, design and develop payloads, and manage complex flight operations. Draganfly team members hold advanced pilot certificates and are approved to fly in controlled airspace and at airports. Since the Company's development team is cleared by Canada's Controlled Goods Program, the team is permitted to handle ITAR equipment and technologies, and the Company's facilities are built to protect those technologies and ensure they are only handled by approved personnel.

Public Safety

In 2013, the Royal Canadian Mounted Police flew one of the Company's drones to locate and save the life of an accident victim, which we believe was one of the first times a public safety organization used a UAV to save a life. Years later, the Company is still using drone technology to keep the public safe. Draganfly works with its partners to identify unknowns, such as substances, spills, packages, and chemicals while not putting human lives at risk. Draganfly builds aerial and ground systems with custom payloads and sensors to scan scenes, survey public events, locate objects, and clear debris faster and more safely than on-the-ground manpower. The Company also empowers its partners to maximize existing infrastructures via custom application programming interface integrations that ensure Draganfly's technology enhances their safety systems.

Environmental and Energy

Draganfly offers a suite of commercial UAV solutions for energy companies and those servicing the energy market, like surveyors and consultants. Draganfly equips energy companies with the hardware and software they need to optimize existing operations, improve safety, and respond after a natural disaster. Partners can use Draganfly hardware and 3D modeling software to remotely inspect sites that would put human lives at risk. They also conduct environmental monitoring with Draganfly's sample collection solutions, assessing water and ground pollution, gas composition, infrastructure, and other environments.

Agriculture

Draganfly works with its partners to collect high-quality data, using multi- and hyper-spectral imaging, 3D modeling, and a suite of sophisticated sensor technology that assesses environmental factors. Seed companies use Draganfly technology to optimize growth season, measuring seed trial results throughout the research and development process. Farmers can use Draganfly flight and data collection services to monitor hectares of land year-round, assessing factors like fertilizer efficiency, weed production, and more.

Operations

Canadian Operations

Draganfly Innovation Inc.'s products are manufactured at its machine shop within its leased head office based in Saskatoon, Saskatchewan, Canada. Draganfly Innovations Inc. operates the fully operational facility located at 235 103rd St E, Saskatoon, SK, S7N 1Y8, Canada. This facility is to be used only for the purposes of Draganfly Innovations Inc. operating its business of design, development, production, distribution, sale and/or licensing of drones or robots, or such other use as permitted by the landlord from time to time.

Dronelogs Systems Inc.'s products and services are provided through its leased space located at Unit 319, 2999 Underhill Avenue, Burnaby, British Columbia.

United States Operations

The Company, through its wholly-owned subsidiary, Draganfly Innovations USA Inc., has an office in Palm Beach Gardens, Florida that currently stores some inventory for operations in the United States.

The Company has derived its revenues across the following primary geographic market segments for the last three fiscal years:

Region	Revenues		
	Fiscal year ended December 31,		
	2023	2022	2021
Canada	\$ 6,162,672	\$ 6,919,038	\$ 4,982,373
United States	\$ 392,170	\$ 686,021	\$ 2,071,492

Competitive Conditions

Although Draganfly is acknowledged as a drone industry pioneer that we believe was the first to develop the commercial multi rotor helicopter, there are now many drone hardware companies in the world. As technology has improved and costs for hardware and software have come down, the line between consumer and commercial drones has blurred, enabling the rise of Prosumer drones. A Prosumer drone is a drone is designed to satisfy elements of professional and consumer segments, often featuring integrated sensors designed to deliver a combination of performance and value with little ability to customize the drone for the required use-case. Historically, Draganfly has serviced early adopters in the public safety industry. At this stage of the commercial drone adoption curve, the average public safety organization (local, regional, and even federal law enforcement, for example), has been introduced to drones through the adoption of Consumer and Prosumer platforms. Hence, these organizations tend to use lower cost drones that have become quite sophisticated that can accomplish most of their use cases. The dominant companies in the industry are Chinese drone manufacturers that are reputed to comprise a substantial portion of the consumer and now commercial drone market. The majority of foreign manufactured drones are geared towards broad applications involving the masses. Draganfly has moved away from competing directly with these companies and in some cases sells these products through its subsidiary, Dronelogs Systems Inc., or has chosen to serve niche markets outside of where the foreign manufactured drones tends to be. There are also some organizations that tend to be US based that either prefer or are mandated to not use foreign drones such as those produced by China. Some of these organizations are sensitive to their work being exposed to that of overseas governments which has at least for the time being, created a niche market for players such as Draganfly. The combined shift away from foreign made drones (national security issues) and regulatory improvements by the FAA in respect of drone usage is driving industry demand. As Draganfly has evolved to move with the industry trends, the Company now uses some third party hardware and software as part of some of its customization and engineering services work. Draganfly has also moved into innovative engineering procurement which is very specialized. As the drone industry matures, this may bring more competitors to this space or the Company's customers may choose to develop the in-house expertise to do the work that they currently outsource to Draganfly. However, it is the Company's view that there will be a growing customer base that will require

specialized drone hardware, software and service solutions outside of the capabilities of the consumer & prosumer drone platforms that only a handful of companies can do. The market remains highly competitive. Private equity continues to actively capitalize drone start-ups .

Regulatory Framework

A new regulatory framework relating to the use of drones in Canada was published by Transport Canada in January 2019 and came into effect on June 1, 2019. The changes, published in the Canadian Aviation Regulations (“**CARs**”), Part IX, introduce new rules based on the weight of the RPA and the intended operation. This framework creates three broad categories of RPAS: (i) small RPAS in limited (low risk) operations (“**Small RPAS Basic**”); (ii) small RPAS in advanced (complex) operations (“**Small RPAS Advanced**”); and (iii) all other RPA operations that fall outside (i) and (ii) above. These regulations focus on foundational issues such as aircraft marking and registration, pilot knowledge and certification, airworthiness of the aircraft, and flight rules.

Small RPAS Basic are defined as RPAS weighing between 250 grams and 25 kilograms and operated in rural and unpopulated areas. These RPAS will require identification markings, including name, address and contact information of the owner and pilot of the RPA. Pilots must be at least 14 years of age and must hold a valid Basic RPA licence that is specific to small drones. Additional restrictions are imposed that include that the RPA cannot operate: (i) within approximately 30 meters of people or open-air assemblies of people, (ii) above 400 feet, (iii) within approximately 1.85 kilometers of heliports or (iv) within approximately 5.5 kilometers of airports. These regulations require the RPA to always be operated within visual line-of-sight.

Small RPAS Advanced are defined as RPAS weighing between 250 grams and 25 kilograms and operated in urban and/or populated areas. These RPAS will require identification, marking and registration with Transport Canada as well as meeting specified design standards acceptable to Transport Canada. The RPA will be assigned a unique identification/registration number issued by Transport Canada. Pilots must be at least 16 years of age and must hold a valid Advanced RPAS license that is specific to small drones. Approval for operation must be granted by Air Traffic Control when operating in controlled airspace or near controlled aerodromes. A set of flight rules must be followed at all times for these more complex operations. Restrictions, including distances from people, are determined based on the safety certification of the RPA being operated. The RPA must always be operated within visual line-of-sight.

The current legislation utilizes a similar Special Flight Operations Certificate (“**SFOC**”) application process, as the previous regulations, to approve any operations that do not fit within the regulatory regime set out above, such as operating beyond visual-line-of-sight. For those wishing to operate outside of the regulatory framework set out in CARs, part IX, there will be a variety of SFOC application processes tailored to the nature and use of the RPA. The more complex and riskier the proposed operation, the more thorough and detailed the SFOC application process.

Those operators requiring an SFOC must apply to the Transport Canada Civil Aviation Regional Office at least 30 working days prior to the date of the proposed RPAS operation. Transport Canada has wide discretion in reviewing and approving SFOC applications; however, to date the Company has never been refused an SFOC for which it has applied. The purpose of the SFOC application review is to ensure that the proposed operation is safe and associated risks have been adequately mitigated by the Company.

Draganfly operates in accordance with Part IX - Remotely Piloted Aircraft Systems, of Transport Canada’s Canadian Aviation Regulations and Standards, which is periodically updated and governs the safety assurance and operations of Remotely Piloted Aircraft Systems with Canada.

The Company is currently fully compliant with all current regulatory requirements and has applied for, and received Transport Canada approval for several SFOCs.

Seasonality

In terms of financial performance, the fourth quarter tends to be the weakest quarter for the Company due to the Company's customers closing down for a few weeks for the holiday season coupled with poorer weather conditions for flying drones and performing drone services.

Components

The Company obtains hardware components, various subsystems and systems, and raw materials from a limited group of suppliers. The Company does not have long-term agreements with any of these suppliers that obligate such suppliers to continue to sell components, subsystems, systems or products to the Company. The Company's reliance on these suppliers involves significant risks and uncertainties, including whether suppliers will provide an adequate supply of required raw materials, components, subsystems, or systems of sufficient quality, will increase prices for the raw materials, components, subsystems or systems, and will perform their obligations on a timely basis. See "Item 3.D. Risk Factors".

Intangible Properties

Intangibles such as patents, software, specific technology know-how, and applications expertise all have a significant effect on the Company's business. At present, drone delivery technology cannot be purchased as an off-the-shelf solution; therefore, the Company has been focused on developing proprietary technology which meets or exceeds anticipated Canadian government requirements. By virtue of being the first commercial UAV company in the industry, the Company's subsidiary, Draganfly Innovations, holds commercial patents.

As at the Effective Date, the Company has the following patents and patents pending in the application stage in its portfolio and intends to continue to expand and grow its intellectual property portfolio:

Title	Country	Application No.	Issue Date	Patent No.	Status
Multi Rotor UAV With Compact Folding Rotor Arms Vehicle with Aerial and Ground Mobility	Canada	2,917,434	4/23/2019	2,917,434	Issued
Vertical Takeoff and Landing Unmanned Aircraft System	Canada	2,787,279	10/22/2013	2,787,279	Issued
Wheel with Folding Segments	Canada	2,935,793	1/15/2021	2,935,793	Issued
Action Camera System for Unmanned Aerial Vehicle	Canada	2,787,075	10/29/2013	2,787,075	Issued
Action Camera System for Unmanned Aerial Vehicle	United States	15/707,752	1/22/2019	10,187,580	Issued
Action Camera System for Unmanned Aerial Vehicle	United States	14/533,995	9/19/2017	9,769,387	Issued

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Title	Country	Application No.	Issue Date	Patent No.	Status
Cascade Recognition for Personal Tracking via Unmanned Aerial Vehicle (UAV)	United States	14/642,370	7/18/2017	9,710,709	Issued
Cascade Recognition for Personal Tracking via Unmanned Aerial Vehicle (UAV)	United States	15/651,672	2/13/2018	9,892,322	Issued
Cascade Recognition for Personal Tracking via Unmanned Aerial Vehicle (UAV)	United States	15/894,292	10/8/2019	10,438,062	Issued

Unmanned Aerial Vehicle (UAV)						
Dual Rotor Helicopter with Tilted Rotational Axes	United States	12/458,608	11/8/2011	8,052,081	Issued	
Helicopter with Folding Rotor Arms	United States	13/200,825	10/23/2012	8,292,215	Issued	
Multi Rotor UAV With Compact Folding Rotor Arms	United States	14/994,080	7/31/2018	10,035,581	Issued	
Pixel Based Image Tracking System For Unmanned Aerial Vehicle (UAV) Action Camera System	United States	15/256,193	10/10/2017	9,785,147	Issued	
Pixel Based Image Tracking System for Unmanned Aerial Vehicle (UAV) Action Camera System	United States	14/825,956	9/13/2016	9,442,485	Issued	
Real Time Noise Reduction System for Dynamic Motor Frequencies Aboard an Unmanned Aerial Vehicle (UAV)	United States	14/642,496	11/8/2016	9,489,937	Issued	
System and Method for Adaptive Y Axis Power Usage and Non Linear Battery Usage for Unmanned Aerial Vehicle Equipped with Action Camera System	United States	14/825,914	12/6/2016	9,511,878	Issued	
Tandem Wing Aircraft System with Shrouded Propeller	United States	15/584,815	8/13/2019	10,377,488	Issued	
Vehicle with Aerial and Ground Mobility	United States	14/641,468	3/21/2017	9,598,171	Issued	
Vehicle with Aerial and Ground Mobility	United States	13/846,074	3/31/2015	8,991,740	Issued	
Vertical Take Off And Landing (VTOL) Aircraft Having Variable Center Of Gravity	United States	15/706,158	10/20/2020	10,807,707	Issued	
Vertical Takeoff and Landing Unmanned Aircraft System	United States	15/164,718	8/28/2018	10,059,442	Issued	
Visually Intelligent Camera Device with Peripheral Control Outputs	United States	14/939,369	8/6/2019	10,375,359	Issued	
Wheel with Folding Segments	United States	13/739,419	6/17/2014	8,753,155	Issued	

The Company also has the following registered trademarks and pending applications:

Description	Name/Title	Official No.	Governmental Entity
Trademark Application (Status: Filed)	DRAGANFLY	1,972,336	CIPO
Registered Trademark	DRAGANFLYER EXPLORE	TMA1,025,742	CIPO
Registered Trademark	DRAGANFLYER APEX	TMA1,025,624	CIPO

Registered Trademark	DRAGANFLYER COMMANDER	TMA1,008,809	CIPO
Registered Trademark	DRAGANFUEL	TMA997,118	CIPO
Registered Trademark	DRAGANFLY INNOVATIONS	TMA908,564	CIPO
Registered Trademark	DRAGANFLYER	TMA906,939	CIPO
Registered Trademark	DRAGANFLY & DESIGN	TMA905,935	CIPO
Registered Trademark	DRAGANFLY	TMA1,071,582	CIPO
Registered Trademark	DRAGANFLY	TMA1,069,670	CIPO
Registered Trademark	DRAGANFLYER GUARDIAN	TMA904,883	CIPO
Registered Trademark	DRAGANVIEW	TMA886,217	CIPO
Registered Trademark	DRAGANFLYER APEX	6248237	USPTO
Registered Trademark	DRAGANFLY	6373176	USPTO
Registered Trademark	DRAGANFLYER COMMANDER	5760146	USPTO
Registered Trademark	DRAGANFUEL	5563360	USPTO
Registered Trademark	DRAGANFLY INNOVATIONS	5130969	USPTO
Registered Trademark	DRAGANFLYER	4920316	USPTO
Registered Trademark	DRAGANFLY & Design	5130970	USPTO
Registered Trademark	DRAGANFLYER GUARDIAN	4995725	USPTO
Registered Trademark	DRAGANVIEW	4920317	USPTO
Trademark Application ¹	DRAGANFLY	88488410	USPTO

Note

¹ The US application is suspended pending registration of the Canadian mark.

Market Opportunity

Drones have rapidly evolved from their military origin to commercial and civil government applications from security to farming. The Company believes that an increased automation of drones provides additional value to existing workflows, triggering more widespread adoption, while a global shift to sustainable and eco-friendly options has further increased demand for drone usage. According to Drone Industry Insights, the commercial and private drone market could grow from \$22.5 billion in 2020 to \$42.8 billion in 2025, representing compound annual growth rate (“CAGR”) of 13.8%.¹

Drone application methods are being used by a variety of industries today. The most active segments are mapping, surveying, inspection, filming/photography, dispensing/spraying, warehousing, monitoring/detection, and delivery. These applications are being used today by the civil government, educational facilities, agricultural, construction, health care, real estate, energy, transportation, insurance, security, and scientific industries for public safety, data collection and profit. According to the Drone Industry Insights, the fastest growing drone application method will be delivery and is forecasted at 28.6% CAGR over the next five years and it is widely believed over 100,000 new jobs will be created in the drone market by 2025.² However, regulatory hurdles and intense industry scrutiny need to be addressed.

Our existing products are configured to meet the needs of multiple industries. We continue to add new customers in different market verticals. We are actively designing and developing new products and services to meet increased customer demands.

Growth Strategy

Draganfly markets its products and services as a drone solution platform that enables customer to do things not easily done before and to collect data not easily available before. Draganfly provides solutions to our customers utilizing

drones and adjunct technologies. Sensors, software, AI and more all make up this ability to provide solutions that only a company with end-to-end capabilities can provide. Draganfly grows by dealing with the decision makers in organizations who generally have budget control and/or profit and loss responsibility. Draganfly will continue to develop specific solutions and IP for industry verticals by working directly with customers. Draganfly will also pursue an acquisition strategy focused on adding additional capabilities to its platform that strengthen its value proposition of being able to provide new and total solutions that other drone companies cannot. Draganfly is focused on growth through developing new products, expanding its customer base, and pursuing accretive acquisition opportunities, both within and outside North America, in new markets that complement its existing portfolio.

¹ See Global Drone Market Report 2020-2025

² See Global Drone Market Report 2020-2025

Sales and Marketing

Draganfly plans to expand its sales and market capabilities in three key areas. First, Draganfly intends to implement a sales force that has the ability to build relationships and sell specifically designed solutions into industry verticals. This sales force will be specialized into segments that sell either direct or into a channel dependent on the specific product or service solution being provided. Draganfly plans to expand business development personnel that can work with specific industries to envision and develop new product lines and services not yet contemplated by our customers. Second, Draganfly plans to drive greater market awareness of the Draganfly brand via public relations. Third, Draganfly plans targeted marketing and advertising via tradeshow/conferences which are virtual or physical as well as target digital advertising campaigns used to generate inbound inquiries for specific products, services or solution opportunities.

Customers

Key customers are customers looking to gain strategic advantage in particular markets via the use of drones and drone technology. These are often large organizations with a specific problem that they are currently solving in an expensive manner which usually means the use of teams of people or expensive personnel. By designing solution and providing everything from design to manufacturing to sensor development and even giving recognition on patents of IP development (not with commercial interest) to providing the services and housing the data we develop customer relationships that are very “sticky”.

Specialized Skill and Knowledge

There is a specialized skill required for the development, operations, maintenance, sales and marketing of the Company’s technology. The Company’s current staff possesses the necessary skills and knowledge required for the Company’s business; however, additional employees may be added to staff as needed. All operational staff hold the appropriate licenses and certificate as mandated by Transport Canada.

Changes to Contracts

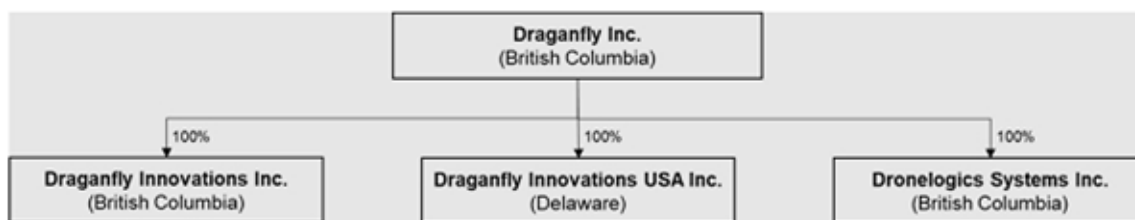
No aspect of Draganfly’s business is anticipated to be affected in the current financial year by renegotiation or termination of any contract.

Capital Expenditures

During the years ended December 31, 2023, 2022 and 2021, we did not undertake any capital expenditures.

4.C. Organizational Structure

We have three wholly-owned subsidiaries. The following chart shows the Company’s subsidiaries:



4.D. Property, Plant and Equipment

Draganfly Innovation Inc.’s products are manufactured at its machine shop within its leased head office located at 235 103rd St E, Saskatoon, SK, S7N 1Y8, Canada (approximately 6,631 square feet in size).

DroneLogics Services Inc.’s services are provided through its leased space located at Unit 319, 2999 Underhill Avenue, Burnaby, British Columbia (approximately 2,752 square feet in size).

The Company, through its wholly-owned subsidiary, Draganfly Innovations USA Inc., has a leased office at 3910 RCA Boulevard, Suite 1015, Palm Beach Gardens, Florida where inventory is stored (approximately 1,600 square feet in size).

See also “Item 4.B. Business Overview Operations – Operations”.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The management’s discussion and analysis of the Company for the year ended December 31, 2023 is included in this Annual Report in Exhibit 15.1, which is incorporated herein by reference.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A Directors and Senior Management

The following table sets forth the name, office held, age, and functions and areas of experience in the Company of each of our directors and senior management:

<u>Name and Municipality of Residence</u>	<u>Age</u>	<u>Position Held and Date Appointed</u>	<u>Principal Occupation within the past five years</u>
Cameron Chell Bowen Island, British Columbia, Canada	55	Chief Executive Officer, Chairman and a Director (August 14, 2019)	Chairman and Chief Executive Officer of the Company since August 2019; President, Chairman and co-founder of CurrencyWorks Inc. from November 2017 to present; Chief Executive Officer and co-founder of Business Instincts Group Inc., a Calgary-based Venture Creation Firm, from 2009 to 2021; co-founder of BitRail, LLC from May 2019 to May 2020; co-creator and Chairman of KODAKOne from May 2017 to May 2020; director of Health Outcomes Worldwide from

June 2017 to February 2021; and Chairman of TruTrace Technologies Inc. from April 2017 to September 2020.

Scott Larson ⁽³⁾⁽⁴⁾ Burnaby, British Columbia, Canada	49	President (July 3, 2020- May 9, 2022) and a Director (August 14, 2019)	President of the Company from July 3, 2020 to May 9, 2022; former Chief Executive Officer of Kater Technologies, a Vancouver-based mobility as a service (MaaS) company building out an integrated intermodal transportation platform incorporating public transportation, buses, taxis and ride hailing vehicles into a single service, from January 2019 to March 2020; former Chief Executive Officer of Helios Wire, a satellite company building out a space-enabled IoT/M2M network, from 2016 to 2019; and former Chief Executive Officer and founder of UrtheCast Corp. from 2010 to 2015.
Olen Aasen ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Vancouver, British Columbia, Canada	41	Director (August 14, 2019)	Practicing lawyer since 2007.

Andrew Hill Card Jr. ⁽²⁾ Jaffrey, New Hampshire, United States	76	Director (November 7, 2019)	Chairman of the National Endowment for Democracy (NED), a non-profit organization dedicated to the growth and strengthening of democratic institutions around the world, from January 2018 to January 2021; Interim Chief Executive Officer of the George & Barbara Bush Foundation from June 2020 to December 2020; and President of Franklin Pierce University in New Hampshire from January 2015 to August 2016.
John M. Mitnick ⁽¹⁾⁽²⁾ McLean, Virginia, United States	61	Director (June 18, 2020)	Chairman of the Company's Board of Directors since April 2022; member of the Company's Board of Directors since June 2020; consultant to the Company from November 2019 to June 2020; Executive Vice President, General Counsel, and Secretary of Valaurum, Inc., since August 2022; member of the Board of Directors of Valaurum, Inc., March 2016 to February 2018 and since October 2019; Advisor to Carbon Neutral Royalty Ltd. from February 2022 to present; General Counsel of the U.S. Department of Homeland Security from February 2018 to September 2019; and Senior Vice President, General Counsel, and Secretary of The Heritage Foundation from March 2014 to February 2018.
Denis Silva ⁽³⁾ Vancouver, British Columbia, Canada	44	Director (August 14, 2019)	Corporate and securities partner with the law firm DLA Piper (Canada) LLP since July 2020; and partner at the law firm Gowling WLG (Canada) LLP from 2015 to 2020.
Julie Myers Wood ⁽¹⁾⁽⁴⁾ McLean, Virginia, United States	54	Director (September 9, 2021)	Chief Executive Officer of Guidepost Solutions LLC since May 2014; Chief Executive Officer of ICS Consulting LLC; and has held several high level

positions within the U.S. government including at the Departments of Justice, Homeland Security, Treasury, and Commerce, as well as at the White House.

Paul Sun Oakville, Ontario, Canada	52	Chief Financial Officer and Corporate Secretary (August 14, 2019)	Chief Financial Officer of the Company since August 2019; Chief Financial Officer of Former Draganfly since July 2015; and Managing Director, Institutional Equity Sales at Beacon Securities Limited from January 2013 to December 2014.
Paul Mullen Burnaby, British Columbia, Canada	41	Chief Operating Officer (March 1, 2022)	Chief Operating Officer of the company since March 1, 2022; Vice President since April 13, 2021. Vice President (2019-2021) Monark Ventures. Various Roles including Manager Sales, Technical Service Delivery & Operations at Shaw Cablesystems G.P. from 2001-2018.
Deborah Greenberg Montreal, Quebec, Canada	58	Chief Legal and Corporate Services Officer and Corporate Secretary (July 4, 2022)	Chief Legal Officer of the Company since July 4, 2022; Chief Legal and Corporate Services Officer of the Company since December 1, 2022; Chief Legal Officer (2017-2019) and Chief Information Officer (2019-2021) at Canada Mortgage and Housing Corporation; Various roles including General Counsel at Aimia from 2007-2017.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Nominating and Corporate Governance Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the ATM Committee.

The directors listed above will hold office until the next annual meeting of the Company or until their successors are elected or appointed. There are no family relationships among our directors and executive officers. There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any of our directors or executive officers was selected.

As at March 7, 2024, the directors and senior officers of Draganfly, as a group, beneficially own or control, directly or indirectly, 1,213,132 Common Shares or 2.39% of the issued and outstanding Common Shares.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of management, no director or executive officer as at the date hereof, is or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Draganfly), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, “order” means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

To the knowledge of management, other than as disclosed herein, no director or executive officer of Draganfly, or a shareholder holding a sufficient number of securities of Draganfly to affect materially the control of the company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including Draganfly) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

By Order of the Supreme Court of Newfoundland and Labrador dated June 17, 2020, Deloitte Restructuring Inc. was appointed as the receiver and manager of all current and future assets, undertakings, and properties of the Kami Mine Limited Partnership, Kami General Partner Limited, and Alderon Iron Ore Corp. The receivership was initiated by a secured creditor of the Kami Mine Limited Partnership after its failure to refinance the secured debt due to the COVID-19 pandemic. Mr. Aasen was Corporate Secretary of Alderon Iron Ore Corp. and Secretary and Director of Kami General Partner Limited until April 28, 2020.

Penalties or Sanctions

Other than as disclosed herein, no director, executive officer or shareholder holding a sufficient number of securities of Draganfly to materially affect the control of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Pursuant to a settlement agreement (the “**Settlement Agreement**”) dated November 6, 1998 that Cameron Chell, Chief Executive Officer, Chairman and a director of the Company, signed with the Alberta Stock Exchange (the “**ASE**”), Mr. Chell agreed to the following sanctions:

- prohibition against ASE Approval (as defined in the General By-law of the ASE) in any capacity for a period of five years commencing November 6, 1998;
- a fine in the sum of \$25,000;
- strict supervision for a period of two years following re-registration in any capacity; and
- close supervision for a period of one year following the period of strict supervision described above.

The matters respecting the Settlement Agreement are as set forth in an ASE Notice to Members dated November 12, 1998, which provides that:

- representations were made by the promoter of a company to one of Mr. Chell’s clients that he would only be permitted to purchase securities in the initial public offering of that company if he would agree to purchase additional securities in the secondary market following the listing on the ASE and, in or around March or April, 1996, Mr. Chell disclosed confidential information to the promoter of that company concerning a client’s account with respect to a cheque returned NSF to Mr. Chell’s employer;
- the investment objectives for two of Mr. Chell’s clients were amended without prior knowledge or consent of such clients and purchases and sales of securities were subsequently executed in the accounts of such clients which were unsuitable for the clients given the stated investment objectives for the accounts prior to the amendment of such investment objectives;

- Mr. Chell executed a total of 21 transactions in the accounts of two of Mr. Chell's clients without prior knowledge or authorization of such clients;
- the signature on the new client account form for one of Mr. Chell's clients, which purported to be that of the client was not in fact the signature of the client nor did such client have any knowledge of any changes made to the investment objectives for his account(s);
- on or about June 10, 1996, the address for the account of one of Mr. Chell's clients was changed to Mr. Chell's local post office box address without such client's knowledge and while the client was resident in Ontario. As a result, during the period of June 10 to and including September, 1996, the client did not receive any trade confirmations or accounts statements with respect to her accounts with Mr. Chell;
- on or about March 19, 1996, Mr. Chell permitted one of his clients to acquire approximately 4% of the total initial public offering by a company, contrary to the rules of the ASE;
- on or about October 19, 1996, Mr. Chell purchased securities of a company in the account of one of his clients without disclosing the involvement of his brother as president of that company;
- on or about June 23, 1996, the private placement questionnaire and undertaking completed in connection with the purchase by one of Mr. Chell's clients and filed with the ASE disclosed that Mr. Chell's client was a resident of Alberta when in fact such client was a resident of Ontario. Mr. Chell knew or ought to have known that it contained a misstatement of fact in that regard;
- during the period of the summer, 1996 to and including May 1997, Mr. Chell's day to day involvement as the president and chairman of Coffee.Com Interactive Café Corp. ("**Coffee.Com**") as well as being a shareholder was not disclosed to Mr. Chell's employer;
- further, Mr. Chell purchased securities offerings via private placement by Coffee.Com for certain of his clients without fully disclosing his involvement with that company to such clients;

- on or about March 18 and June 19, 1996, Mr. Chell executed purchase of securities for Ontario residents. At the time of such purchases, Mr. Chell knew or ought to have known that he was not registered in the province of Ontario;
- during the summer of 1996, Mr. Chell represented to the ASE that certain purchasers of securities offered via private placement were close friends and business associates when he knew or ought to have known that such representations were untrue; and
- during the period of June 19, 1996 and to and including May 1, 1997, Mr. Chell failed to obtain the prior approval of his employer for advertisements and sales literature distributed by Mr. Chell regarding Coffee.Com.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Draganfly will be subject to in connection with the operations of Draganfly. In particular, certain of the directors and officers of Draganfly are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct competition with those of Draganfly or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Draganfly.

In accordance with the applicable corporate and securities legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with Draganfly are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Draganfly. Certain of the directors and each of the executive officers of Draganfly have either other employment or other business or time restrictions placed on them and accordingly, these directors of Draganfly will only be able to devote part of their time to the affairs of Draganfly. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable corporate law.

6.B. Compensation

Summary Compensation Table

For the year ended December 31, 2023 our directors and executive officers received compensation for services, as follows:

Name and Principal Position	Year	Salary (\$)	Share- Based Awards (\$) ⁽¹⁾⁽²⁾	Option- Based Awards (\$) ⁽³⁾⁽⁴⁾	Non-Equity Incentive Plan Compensation (C\$)		Pension Value (\$)	All Other Compensation (\$) ⁽⁶⁾	Total Compensation (\$)
					Annual Incentive Plans ⁽⁵⁾	Long- Term Incentive Plans			
Cameron Chell ⁽⁸⁾ Chairman, CEO and Director	2023	557,083	287,020	Nil	Nil	Nil	Nil	Nil	844,103
Paul Sun CFO	2023	321,496	144,640	Nil	Nil	Nil	Nil	Nil	466,136
Scott Larson ⁽⁸⁾ President and Director	2023	205,732	49,720	Nil	Nil	Nil	Nil	70,129 ⁽⁷⁾	368,475
Olen Aasen Director	2023	Nil	49,720	Nil	Nil	Nil	Nil	80,071 ⁽⁷⁾	129,791
Denis Silva Director	2023	Nil	49,720	Nil	Nil	Nil	Nil	60,110 ⁽⁷⁾	109,830
Andrew Hill Card, Jr Director	2023	Nil	49,720	Nil	Nil	Nil	Nil	60,476 ⁽⁷⁾	110,197
John M. Mitnick Director	2023	Nil	49,720	Nil	Nil	Nil	Nil	90,715 ⁽⁷⁾	140,435
Julie Myers Wood Director	2023	Nil	49,720	Nil	Nil	Nil	Nil	60,477 ⁽⁷⁾	110,197
Paul Mullen COO	2023	362,361	135,600	Nil	Nil	Nil	Nil	Nil	497,961
Deborah Greenberg Chief Legal and Corporate Services Officer	2023	361,538	162,720	Nil	Nil	Nil	Nil	Nil	524,258

Notes:

- (1) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) Based on the number of restricted share units ("RSUs") granted multiplied by the market price of the underlying Common Shares on the grant date. This methodology was chosen in order to be consistent with industry.
- (3) "Option-Based Award" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features. See also "Item 6.E. Share Ownership".
- (4) This does not represent cash paid to the individual. This figure is based on the grant date fair value of such stock options of the Company ("Options"). The grant date fair value was determined in accordance with IFRS. This methodology was chosen in order to be consistent with the accounting fair value used by the Company in its financial statements and since the Black-Scholes option pricing model is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term, risk-free interest rate, dividend yield of stock and volatility of stock return. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of the Company, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.
- (5) Represents annual cash bonus awards that are declared and paid annually. The Company does not have a formal bonus plan and the amount of bonuses paid is not set in relation to any formula or specific criteria but is a result of a subjective determination by the Compensation Committee and the Board. As of March 27, 2024, the annual cash bonus awards for the executive officers of the Company for the year ended December 31, 2023 have not been determined or approved by the Board.
- (6) This amount represents the aggregate amount of perquisites paid to the individual.
- (7) This amount represents director's fees paid to such director.
- (8) Mr. Chell did not receive any additional compensation for serving as director of the Corporation. Mr. Chell and Mr. Larson did receive consulting fees in connection with their roles as Officers of the Company, included above in the Salary amount.

6.C. Board Practices

All of our directors are elected at the annual general meeting of our shareholders and each holds such office until his or her successor is elected or appointed, unless his or her office is earlier vacated by way of the director's resignation or death or under any of the relevant provisions of our Articles or the BCBCA.

Employment, Consulting and Directors' Service Contracts

The Company is not a party to any contract, agreement, plan or arrangement that provides for payments to a director or executive officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company, its subsidiaries or affiliates or a change in a director or executive officer responsibilities, other than as described below.

The Company's consulting agreement, as amended, (the "**Chell Consulting Agreement**") with 1502372 Alberta Ltd. (the "Consultant") and Cameron Chell requires the Company to pay monthly fees of C\$35,416.67 (amounting to C\$425,000 annually) for the provision by of executive services by the Consultant to the Company, and in this regard, has Cameron Chell hold the position of President and Chief Executive Officer of the Company and contains the following provisions: (a) where termination notice is given by the Company, other than for certain specified reasons as set out in the Chell Consulting Agreement, the Company shall give the Consultant at least 60 days' advance notice in writing; and (b) where termination is given by the Consultant, the Consultant shall give the Company 60 days' advance notice in writing. If the Chell Consulting Agreement is terminated pursuant to either (a) or (b) above, then

the Consultant will be entitled to the fees earned to the effective date of termination and any expenses incurred on behalf of the Company prior to the effective date of termination which are otherwise reimbursable by the Company pursuant to the terms of the Chell Consulting Agreement. The Consultant is also entitled a bonus as determined by the Compensation Committee equal to 100% of the Consultant annual fees. The Consultant is a private company controlled by Cameron Chell. During the year ended December 31, 2021, the Company and the Consultant entered into an amending agreement to the Chell Consulting Agreement to increase the monthly fees from US\$14,166.67 (amounting to US\$170,000 annually) to C\$35,416.67 (amounting to C\$425,000 annually). During the year ended December 31, 2022 the Company and the Consultant entered into an additional amending agreement appointing Mr. Chell as President of the Company and expanding the scope of the services to reflect this new role.

The Company's consulting agreement, (the "**Larson Consulting Agreement**") with Scott Larson, which supersedes and replaces all previous agreements between Mr. Larson and the Company, requires the Company pay (a) an hourly fee of \$350, plus applicable taxes, and (b) as determined by the Company, an annual success fee, for corporate development, operational and financial related services. The Larson Consulting Agreement may be terminated by Mr. Larson upon giving the Company sixty (60) days advance notice in writing, or by the Company by giving Mr. Larson four (4) months advance notice in writing or pay in lieu thereof.

The Company's employment agreement, as amended, (the "**Sun Agreement**") with Paul Sun requires the Company pay (a) an annual base salary of C\$220,000 and (b) as determined by the Company's Compensation Committee, an annual bonus of up to the base salary, for the provision of executive services as Chief Financial Officer to the Company. If the Sun Agreement is terminated by the Company without just cause, Mr. Sun will be entitled to remuneration in the amount equal the base salary and Mr. Sun's last bonus earned divided by 12 and multiplied by six. Mr. Sun is also entitled to receive a lump sum payment equal to 18 months of his base salary and average bonus upon a change of control of the Company. During the year ended December 31, 2021, the Company and Mr. Sun entered into an amending agreement to the Sun Agreement to increase the annual base salary from C\$150,000 to C\$220,000. During the year ended December 31, 2022, the Company and Mr. Sun entered into an additional amending agreement to the Sun Agreement to increase the annual base salary from C\$220,000 to C\$250,000 and awarded Mr. Sun a discretionary performance bonus determined by the Compensation Committee with regard to certain milestones and achievements. During the year ended December 31, 2023, the Company and Mr. Sun entered into an additional amending agreement to the Sun Agreement to increase the annual base salary from C\$250,000 to C\$267,000 and awarded Mr. Sun a discretionary performance bonus determined by the Compensation Committee with regard to certain milestones and achievements.

The Company's employment agreement, as amended, (the "**Mullen Agreement**") with Paul Mullen requires the Company to pay (a) an annual base salary of C\$210,000 and (b) as determined by the Company's Compensation Committee, an annual bonus, for the provision of executive services as Chief Operating Officer to the Company. If the Company terminates the Mullen Agreement without cause, Mr. Mullen is entitled to severance equaling to the his annual salary earned to the date of cessation of employment, all earned but unpaid bonus payment, any outstanding vacation and reimbursement of final expenses, and an additional lump sum payment equaling to three (3) months salary. If Mr. Mullen is terminated without cause within twelve (12) months of a change of control, then Mr. Mullen is entitled to a lump sum payment equal to twelve (12) months of his annual salary and average performance bonus. During the year ended December 31, 2023, the Company and Mr. Mullen entered into an amending agreement to the Mullen Agreement to increase the annual base salary from C\$210,000 to C\$250,000 and awarded Mr. Mullen a discretionary performance bonus determined by the Compensation Committee with regard to certain milestones and achievements.

The Company's employment agreement, as amended, (the "**Greenberg Agreement**") with Deborah Greenberg requires the Company to pay (a) an annual base salary of C\$275,000 and (b) as determined by the Company's Compensation Committee, an annual bonus, for the provision of executive services as Chief Legal and Corporate Services Officer to the Company. If the Greenberg Agreement is terminated by the Company without just cause, Ms. Greenberg will be entitled to remuneration in the amount equal the base salary and Ms. Greenberg's last bonus payable on a pro-rata basis. Mrs. Greenberg is also entitled to receive a lump sum payment equal to 18 months of her base

salary and the greater of her targeted annual performance bonus multiplied by a factor of 1.5 or the average performance bonus paid to her over the two year period to the change of control of the Company. During the year ended December 31, 2023, the Company and Ms. Greenberg entered into an amending agreement to the Greenberg Agreement to increase the annual base salary from C\$275,000 to C\$300,000 and awarded Ms. Greenberg a discretionary performance bonus determined by the Compensation Committee with regard to certain milestones and achievements.

Audit Committee

The Audit Committee is a committee of the Board to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of our shareholders, the relationship between the Company and the external auditor.

Pursuant to National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (“**NI 52-110**”), the Company is required to disclose certain information with respect to its Audit Committee, as summarized below.

Audit Committee Terms of Reference

The Company must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are attached hereto as Exhibit 15.2.

Audit Committee Composition

The following are the members of the Audit Committee:

Olen Aasen ⁽¹⁾	Independent ⁽²⁾	Financially Literate ⁽²⁾
Julie Myers Wood	Independent ⁽²⁾	Financially Literate ⁽²⁾
John M. Mitnick	Independent ⁽²⁾	Financially Literate ⁽²⁾

Notes:

- (1) Chairman of the Audit Committee.
- (2) As defined by NI 52-110.

Relevant Education and Experience

All members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

Olen Aasen

Mr. Aasen is a corporate and securities lawyer with more than 17 years of experience in corporate, securities and regulatory matters. He has been the Corporate Secretary, General Counsel or Vice President, Legal at various Canadian and U.S. listed companies. Mr. Aasen obtained a J.D. from the University of British Columbia in 2006 and was called to the British Columbia Bar in 2007. Mr. Aasen was also appointed to the 2016 Legal 500 GC Powerlist for Canada.

Julie Myers Wood

Ms. Myers was appointed by President Bush to serve as Assistant Secretary of Homeland Security for Immigration and Customs Enforcement (ICE). Previously, Ms. Myers worked for the Office of Independent Counsel under Kenneth

Starr and was appointed Assistant Secretary for Export Enforcement at the Department of Commerce. She currently is CEO for Guidepost Solutions, LLC, a leading investigative and compliance consulting firm where she leads a global team of investigators, experienced security and technology consultants, and compliance and monitoring experts across a multitude of industries including government and public service agencies.

John M. Mitnick

Mr. Mitnick is an American attorney with 34 years of experience serving at the highest levels of government and the private sector. From February 2018 until September 2019, he served as the General Counsel of the U.S. Department of Homeland Security (DHS), having been confirmed for that position unanimously by the U.S. Senate. From March 2014 to February 2018, he served as Senior Vice President, General Counsel, and Secretary of The Heritage Foundation, an influential think tank, and from November 2007 to April 2013, he served as Vice President, General Counsel, and Secretary of a Raytheon division with more than US\$3 billion in annual sales, more than 9,000 employees, and business operations in more than 40 countries and on all continents. Mr. Mitnick has also served on the Board of Directors of Valaurum, Inc., a private mint, from March 2016 to February 2018 and since October 2019. He received his Juris Doctor degree from the University of Virginia School of Law and a Bachelor of Arts degree in Jurisprudence from the University of Oxford. He also holds a Bachelor of Arts degree in History and Political Science (summa cum laude) from Emory University.

Reliance on Certain Exemptions

At no time since the commencement of the Company's financial year ended December 31, 2023, has the Company relied on any exemption from NI 52-110, including Section 2.4 of NI 52-110 (De Minimis Non-Audit Services), or an exemption granted under Part 8 of NI 52-110.

The Company has relied upon the exemption provided by section 6.1 of NI 52-110 which exempts venture issuers from the requirement to comply with the restrictions on the composition of its Audit Committee.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve any non-audit services or additional work which the Chairman of the Audit Committee deems as necessary who will notify the other members of the Audit Committee of such non-audit or additional work.

External Auditor Service Fees

See "Item 16C. Principal Accountant Fees and Services".

Compensation Committee

The Compensation Committee is responsible for ensuring that the Company has appropriate procedures for reviewing executive compensation and making recommendations to the Board with respect to the compensation of the Company's executive officers. The Compensation Committee seeks to ensure that total compensation paid to all executive officers is fair and reasonable and is consistent with the Company's compensation philosophy.

The Compensation Committee is also responsible for recommending compensation for the directors, as well as stock option (“**Option**”) grants, and restricted share unit (“**RSU**”) grants to the directors, officers, employees and consultants pursuant to the Company’s share compensation plans. The Share Compensation Plan (as defined below) assists the Company in employee retention and cash preservation, while encouraging Common Share ownership and entrepreneurship on the part of the Company’s NEOs.

The Compensation Committee consists of Scott Larson (Chair), Olen Aasen and Denis Silva, all of whom were affirmatively determined by the Board to be independent (outside, non-management) directors, other than Scott Larson, the former President of the Company. The Board is satisfied that the composition of the Compensation Committee ensures an objective process for determining compensation. Each member of the Committee has direct experience relevant to their responsibilities on the Committee, including acting as officers and directors of other publicly traded companies so that they are familiar with remuneration for companies within the Company’s peer group.

6.D. Employees

As at December 31, 2023, the Company had fifty four employees (fifty employees located in Canada and four employees located in the U.S.) and two full-time and two part-time consultants whose services were, and continue to be, used on a regular basis for day-to-day operations.

6.E. Share Ownership

The following table sets out the number of Common Shares, Options and RSUs owned or over which control or direction is exercised by each our directors and executive officers and, where known after reasonable enquiry, by their respective associates or affiliates as at February 15, 2024.

Name and position	Number and Percentage of Common Shares ⁽¹⁾	Type of compensation security	Number of compensation securities	Date of issue or grant	Issue, conversion or exercise price (\$)	Expiry Date ⁽²⁾
Cameron Chell Chairman, CEO and Director	168,216 (0.33%)	Options	50,000	October 30, 2019		October 30, 2029
		RSUs	13,334 ⁽³⁾	September 3, 2021	2.50	September 3, 2024
		RSUs	169,334	May 29, 2023	3.87	March 20, 2025
Paul Sun CFO	235,851 (0.46%)	Options	33,333	October 30, 2019	1.13	October 30, 2029
		RSUs	10,000	September 3, 2021	2.50	September 3, 2024
		RSUs	85,334	May 29, 2023	3.87	March 20, 2025
Scott Larson President and Director	49,986 (0.10%)	Options	50,000	October 30, 2019	1.13	October 30, 2029
		Options	100,000	July 3, 2020	2.50	July 3, 2025
		RSUs	23,334	September 3, 2021	3.20	September 3, 2024
		RSUs	29,334	May 29, 2023	3.87	March 20, 2025
Olen Aasen Director	39,173 (0.08%)	Options	16,667	October 30, 2019	2.50	October 30, 2029
		RSUs	29,334	May 29, 2023	1.13	March 20, 2025
Denis Silva Director	85,208 (0.17%)	Options	16,667	October 30, 2019	2.50	October 30, 2029
		RSUs	29,334	May 29, 2023	1.13	March 20, 2025

Andrew Hill				October 30,		October 30,
Card, Jr	167,189	Options	50,000	2019	2.50	2029
Director	(0.33%)	RSUs	29,334	May 29, 2023	1.13	March 20, 2025
John M. Mitnick				November 19,		November 19,
Director	170,601	Options	50,000	2019	2.50	2029
	(0.34%)	RSUs	29,334	May 29, 2023	1.13	March 20, 2025
Julie Myers				April 30, 2020		April 30, 2030
Wood				September 9,		September 9,
Director		Options	30,000	2021	3.85	2026
		Options	25,826	September 9,	4.84	September 9,
	83,275	RSUs	8,609	2021	4.84	2024
	(0.16%)	RSUs	29,334	May 29, 2023	1.13	March 20, 2025
Paul Mullen		Options	10,000	April 27, 2021	10.15	April 27, 2031
COO	102,072	RSUs	3,334	April 27, 2021	10.15	April 30, 2024
	(0.20%)	RSUs	80,000	May 29, 2023	1.13	March 20, 2025
Deborah						
Greenberg						
Chief Legal and						
Corporate Services	111,561					
Officer	(0.22%)	RSUs	96,000	May 29, 2023	1.13	March 20, 2025

Notes:

- (1) Percentages based on 50,893,221 Common Shares issued and outstanding as of February 15, 2024. The numbers of shares in this column are derived from Canada's System for Electronic Disclosure by Insiders ("SEDI").
- (2) In connection with the RSUs, the dates represent the last vesting dates.
- (3) This number represents the balance of unvested RSUs issued to 1502372 Alberta Ltd., a corporation wholly owned by Cameron Chell.

Share Compensation Plan

The Board has previously adopted the Share Compensation Plan that provides for the granting of Options and RSUs on such terms and conditions as prescribed by the Share Compensation Plan. The Share Compensation Plan is a "rolling" plan, pursuant to which the maximum number of Common Shares issuable under the Share Compensation Plan and any other share compensation arrangement of the Company including the RSUs that may be awarded under the Share Compensation Plan, is 20% of the Common Shares then issued and outstanding. The Share Compensation Plan was adopted effective August 19, 2019 and amended effective April 14, 2021.

The Share Compensation Plan provides participants (each, a "**Participant**"), who may include participants who are citizens or residents of the United States (each, a "**US Participant**"), with the opportunity, through RSUs and Options, to acquire an ownership interest in the Company. The RSUs will rise and fall in value based on the value of the Common Shares. Unlike the Options, the RSUs will not require the payment of any monetary consideration to the Company. Instead, each RSU represents a right to receive one Common Share following the attainment of vesting criteria determined at the time of the award. See "*Restricted Share Units – Vesting Provisions*" below. The Options, on the other hand, are rights to acquire Common Shares upon payment of monetary consideration (i.e., the exercise price), subject also to vesting criteria determined at the time of the grant. See "*Options – Vesting Provisions*" below.

Purpose of the Share Compensation Plan

The stated purpose of the Share Compensation Plan is to advance the interests of the Company and its subsidiaries, and its shareholders by: (a) ensuring that the interests of Participants are aligned with the success of the Company and

its subsidiaries; (b) encouraging stock ownership by such persons; and (c) providing compensation opportunities to attract, retain and motivate such persons.

Eligible Persons

The following people are eligible to participate in the Share Compensation Plan: any officer or employee of the Company or any officer or employee of any subsidiary of the Company and, solely for purposes of the grant of Options, any director of the Company or any director of any subsidiary of the Company, and any Consultant (defined under the Share Compensation Plan as an individual (other than an employee or a director of the Company) or a corporation that is not a U.S. Person that: (a) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Company or to an affiliate of the Company, other than services provided in relation to an offer or sale of securities of the Company in a capital raising transaction, or services that promote or maintain a market for the Company's securities; (b) provides the services under a written contract between the Company or the affiliate and the individual or the Company, as the case may be; (c) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an affiliate of the Company; and (d) has a relationship with the Company or an affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.

Administration of the Share Compensation Plan

The Share Compensation Plan is administered by the Board or such other persons as may be designated by the Board (the "**Administrators**") based on the recommendation of the Board or the compensation committee of the Board, if applicable. The Administrators determine the eligibility of persons to participate in the Share Compensation Plan, when RSUs and Options will be awarded or granted, the number of RSUs and Options to be awarded or granted, the vesting criteria for each award of RSUs and grant of Options and all other terms and conditions of each award and grant, in each case in accordance with applicable securities laws and the requirements of the CSE and the Nasdaq.

Restrictions on the Award of RSUs and Grant of Options

The awards of RSUs and grants of Options under the Share Compensation Plan is subject to a number of restrictions:

- (a) the total number of Common Shares issuable to insiders under the Share Compensation Plan and any other share compensation arrangements of the Company cannot exceed 20% of the Common Shares then outstanding; and
- (b) the aggregate sales price (meaning the sum of all cash, property, notes, cancellation of debt, or other consideration received or to be received by the Company for the sale of the securities) or amount of Common Shares issued during any consecutive 12 month period will not exceed the greatest of the following: (i) US\$1,000,000; (ii) 15% of the total assets of the Company, measured at the Company's most recent balance sheet date; or (iii) 15% of the outstanding amount of the Common Shares, measured at the Company's most recent balance sheet date.

In the event of any declaration by the Company of any stock dividend payable in securities (other than a dividend which may be paid in cash or in securities at the option of the holder of Common Shares), or any subdivision or consolidation of the Common Shares, reclassification or conversion of the Common Shares, or any combination or exchange of securities, merger, consolidation, recapitalization, amalgamation, plan of arrangement, reorganization, spin off involving the Company, distribution (other than normal course cash dividends) of Company assets to holders of Common Shares, or any other corporate transaction or event involving the Company or the Common Shares, the Administrators may in their sole discretion make such changes or adjustments, if any, as the Administrators consider fair or equitable to reflect such change or event including, without limitation, adjusting the number of Options and RSUs outstanding under the Share Compensation Plan, the type and number of securities or other property to be received upon exercise or redemption thereof, and the exercise price of Options outstanding under the Share

Compensation Plan, provided that the value of any Option or RSU immediately after such an adjustment shall not exceed the value of such Option or RSU prior thereto.

Restricted Share Units

The total number of Common Shares that may be issued on exercise of Options and RSUs, together with any other share compensation arrangements of the Company, shall not exceed 20% of the number of issued and outstanding Common Shares from time to time.

Mechanics for RSUs

RSUs awarded to Participants under the Share Compensation Plan are credited to an account that is established on their behalf and maintained in accordance with the Share Compensation Plan. After the relevant date of vesting of any RSUs awarded under the Share Compensation Plan, a Participant shall be entitled to receive and the Company shall issue or pay (at its discretion): (i) a lump sum payment in cash equal to the number of vested RSUs recorded in the Participant's account multiplied by the volume weighted average price of the Common Shares traded on the CSE for the five (5) consecutive trading days prior to the payout date; (ii) the number of Common Shares required to be issued to a Participant upon the vesting of such Participant's RSUs in the Participant's account will be, duly issued as fully paid and non assessable shares and such Participant shall be registered on the books of the Company as the holder of the appropriate number of Common Shares; or (iii) any combination of thereof.

Vesting Provisions

The Share Compensation Plan provides that: (i) at the time of the award of RSUs, the Administrators will determine the vesting criteria applicable to the awarded RSUs; (ii) vesting of RSUs may include criteria such as performance vesting; (iii) each RSU shall be subject to vesting in accordance with the terms set out in an agreement evidencing the award of the RSU attached as Exhibit A to the Share Compensation Plan (or in such form as the Administrators may approve from time to time) (each an "**RSU Agreement**"); and (iv) all vesting and issuances or payments in respect of an RSU shall be completed no later than December 15 of the third calendar year commencing after the award date for such RSU.

It is the current intention that RSUs may be awarded with both time-based vesting provisions as a component of the Company's annual incentive compensation program, and performance based vesting provisions as a component of the Company's long term incentive compensation program.

Under the Share Compensation Plan, should the date of vesting of an RSU fall within a blackout period or within nine business days following the expiration of a blackout period, the date of vesting will be automatically extended to the tenth business day after the end of the blackout period.

Termination, Retirement and Other Cessation of Employment in connection with RSUs

A person participating in the Share Compensation Plan will cease to be eligible to participate in the following circumstances: (i) receipt of any notice of termination of employment or service (whether voluntary or involuntary and whether with or without cause); (ii) retirement; and (iii) any cessation of employment or service for any reason whatsoever, including disability and death (an "**Event of Termination**"). In such circumstances, any vested RSUs will be issued (and with respect to each RSU of a US Participant, such RSU will be settled and shares issued as soon as practicable following the date of vesting of such RSU as set forth in the applicable RSU Agreement, but in all cases within 60 days following such date of vesting; and unless otherwise determined by the Administrators in their discretion, any unvested RSUs will be automatically forfeited and cancelled (and with respect to any RSU of a US Participant, if the Administrators determine, in their discretion, to waive vesting conditions applicable to an RSU that is unvested at the time of an Event of Termination, such RSU shall not be forfeited or cancelled, but instead will be deemed to be vested and settled and shares delivered following the date of vesting date of such RSU as set forth in the

applicable RSU Agreement). Notwithstanding the above, if a person retires in accordance with the Company's retirement policy at such time, the pro rata portion of any unvested performance based RSUs will not be forfeited or cancelled and instead shall be eligible to become vested in accordance with the vesting conditions set forth in the applicable RSU Agreement after such retirement (as if retirement had not occurred), but only if the performance vesting criteria, if any, have been met on the applicable date. For greater certainty, if a person is terminated for just cause, all unvested RSUs will be forfeited and cancelled.

Options

The total number of Common Shares that may be issued on exercise of Options and RSUs, together with any other share compensation arrangements of the Company, shall not exceed 20% of the number of issued and outstanding Common Shares from time to time.

Mechanics for Options

Each Option granted pursuant to the Share Compensation Plan will entitle the holder thereof to the issuance of one Common Share upon achievement of the vesting criteria and payment of the applicable exercise price. Options granted under the Share Compensation Plan will be exercisable for Common Shares issued from treasury once the vesting criteria established by the Administrators at the time of the grant have been satisfied. However, the Company will continue to retain the flexibility through the amendment provisions in the Share Compensation Plan to satisfy its obligation to issue Common Shares by making a lump sum cash payment of equivalent value (i.e., pursuant to a cashless exercise), provided there is a full deduction of the number of underlying Common Shares from the Share Compensation Plan's reserve.

Vesting Provisions

The Share Compensation Plan provides that the Administrators may determine when any Option will become exercisable and may determine that Options shall be exercisable in instalments or pursuant to a vesting schedule. The Option agreement will disclose any vesting conditions prescribed by the Administrators.

Termination, Retirement and Other Cessation of Employment in connection with Options

A person participating in the Share Compensation Plan will cease to be eligible to participate where there is an Event of Termination. In such circumstances, unless otherwise determined by the Administrators in their discretion, any unvested Options will be automatically cancelled, terminated and not available for exercise and any vested Options may be exercised only before the earlier of: (i) the termination of the Option; and (ii) six months after the date of the Event of Termination. If a person is terminated for just cause, all Options (whether or not then exercisable) will be automatically cancelled.

Other Terms

The Administrators will determine the exercise price and term/expiration date of each Option, provided that the exercise price in respect of that Option shall not be less than the Market Price on the date of grant. "**Market Price**" is defined in the Share Compensation Plan, as of any date, the closing price of the Common Shares on the CSE for the last market trading day prior to the date of grant of the Option or if the Common Shares are not listed on a stock exchange, the Market Price shall be determined in good faith by the Administrators.

No Option shall be exercisable after ten years from the date the Option is granted. Under the Share Compensation Plan, should the term of an Option expire on a date that falls within a blackout period or within nine business days following the expiration of a blackout period, such expiration date will be automatically extended to the tenth business day after the end of the blackout period.

Unless otherwise determined by the Board, in the event of a change of control, any surviving or acquiring corporation shall assume any Option outstanding under the Share Compensation Plan on substantially the same economic terms and conditions or substitute or replace similar options for those Options outstanding under the Share Compensation Plan on substantially the same economic terms and conditions.

Transferability

RSUs awarded and Options granted under the Share Compensation Plan or any rights of a Participant cannot be transferred, assigned, charged, pledged or hypothecated, or otherwise alienated, whether by operation of law or otherwise.

Reorganization and Change of Control Adjustments

In the event of any declaration by the Company of any stock dividend payable in securities (other than a dividend which may be paid in cash or in securities at the option of the holder of Common Shares), or any subdivision or consolidation of Common Shares, reclassification or conversion of the Common Shares, or any combination or exchange of securities, merger, consolidation, recapitalization, amalgamation, plan of arrangement, reorganization, spin off involving the Company, distribution (other than normal course cash dividends) of Company assets to holders of Common Shares, or any other corporate transaction or event involving the Company or the Common Shares, the Administrators may make such changes or adjustments, if any, as they consider fair or equitable, to reflect such change or event including adjusting the number of Options and RSUs outstanding under the Share Compensation Plan, the type and number of securities or other property to be received upon exercise or redemption thereof, and the exercise price of Options outstanding under the Share Compensation Plan, provided that the value of any Option or RSU immediately after such an adjustment shall not exceed the value of such Option or RSU prior thereto.

Amendment Provisions in the Share Compensation Plan

The Board may amend the Share Compensation Plan or any RSU or Option at any time without the consent of any Participant provided that such amendment shall:

- (a) not adversely alter or impair any RSU previously awarded or any Option previously granted, except as permitted by the adjustment provisions of the Share Compensation Plan and with respect to RSUs and Options of US Participants;
- (b) be subject to any regulatory approvals including, where required, the approval of the CSE or the Nasdaq; and
- (c) be subject to shareholder approval, where required, by the requirements of the CSE or the Nasdaq, provided that shareholder approval shall not be required for the following amendments:
 - (i) amendments of a “housekeeping nature”, including any amendment to the Share Compensation Plan or a RSU or Option that is necessary to comply with applicable laws, tax or accounting provisions or the requirements of any regulatory authority or Exchange and any amendment to the Share Compensation Plan or a RSU or Option to correct or rectify any ambiguity, defective provision, error or omission therein, including any amendment to any definitions therein;
 - (ii) amendments that are necessary or desirable for RUS or Options to qualify for favourable treatment under any applicable tax law;
 - (iii) a change to the vesting provisions of any RSU or any Option (including any alteration, extension or acceleration thereof);

- (iv) a change to the termination provisions of any Option or RSU (for example, relating to termination of employment, resignation, retirement or death) that does not entail an extension beyond the original expiration date;
 - (v) the introduction of features to the Share Compensation Plan that would permit the Company to, instead of issuing Common Shares from treasury upon the vesting of the RSUs, retain a broker and make payments for the benefit of Participants to such broker who would purchase Common Shares in the open market for such Participants;
 - (vi) the amendment of the Share Compensation Plan as it relates to making lump sum payments to Participants upon the vesting of the RSUs; and
 - (vii) the amendment of the cashless exercise feature set out in the Share Compensation Plan.
- (d) be subject to disinterested shareholder approval in the event of any reduction in the exercise price of any Option granted under the Share Compensation Plan to an insider Participant.

For greater certainty, shareholder approval will be required in circumstances where an amendment to the Share Compensation Plan would:

- (a) increase the fixed maximum percentage of issued and outstanding Common Shares issuable under the Share Compensation Plan, other than by virtue of the adjustment provisions in the Share Compensation Plan, or change from a fixed maximum percentage of issued and outstanding Common Shares to a fixed maximum number of Common Shares;
- (b) increase the limits referred to above under “*Restrictions on the Award of RSUs and Grant of Options*”;
- (c) reduce the exercise price of any Option (including any cancellation of an Option for the purpose of reissuance of a new Option at a lower exercise price to the same person);

- (d) extend the term of any Option beyond the original term (except if such period is being extend by virtue of a blackout period); or
- (e) amend the amendment provisions in Section 6.4 of the Share Compensation Plan.

6.F. Action to Recover Erroneously Awarded Compensation

Not Applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

To the knowledge of the Board and executive officers of the Company, other than as disclosed below, as at March 27, 2024 no persons or companies beneficially own, directly or indirectly or exercise control or direction over shares carrying 5% or more of the voting rights attached to all outstanding shares of the Company. No holder of common shares has different voting rights from any other holders of common shares.

Armistice Capital, LLC and Steven Boyd (collectively “**Armistice**”) reported on a Schedule 13-G, filed with the SEC on February 14, 2024, that they were the beneficial owner of 4,938,978 shares, representing 9.99% of the Company’s common shares.

7.B. Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

On August 1, 2019, the Company entered in a business services agreement (the "Agreement") with Business Instincts Group ("BIG"), a company that Cameron Chell, CEO and director has a material interest in that he previously controlled, to provide: corporate development and governance, strategic facilitation and management, general business services, office space, corporate business development video content, website redesign and management, and online visibility management at fees set out in the Agreement. For the year ended December 31, 2023, the company incurred fees of \$429,766 (December 31, 2022 - \$442,485) which are included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$3,780 (December 31, 2022 - \$30,804).

On October 1, 2019, the Company entered into an independent consultant agreement ("Consultant Agreement") with 1502372 Alberta Ltd, a company controlled by Cameron Chell, CEO and director, to provide executive consulting services to the Company and all fees are set in the Consultant Agreement. For the year ended December 31, 2023, the Company incurred fees of \$592,500 (December 31, 2022 - \$566,487) included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$35,417 (December 31, 2022 - \$nil).

On July 3, 2020, the Company entered into an executive consultant agreement ("Executive Agreement") with Scott Larson, a director of the Company, to provide executive consulting services, as President, to the Company. On May 9, 2022, Scott Larson ceased to be President of the Company and entered into an agreement to provide executive consulting services to the Company and all fees are set in the consulting agreement. For the year ended December 31, 2023, the Company incurred fees of \$215,019 (December 31, 2022 - \$383,288) included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$9,287 (December 31, 2022 - \$20,745).

Trade payables and accrued liabilities

As at December 31, 2023, the Company had \$nil (December 31, 2022 - \$nil) receivable from related parties outstanding that were included in accounts receivable and \$190,664 (December 31, 2022 - \$51,549) payable to related parties that was included in accounts payable. The balances outstanding are unsecured, non-interest bearing and due on demand.

Key management compensation

Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management for the years ended December 31, 2023, 2022, and 2021 included:

For the year ended December 31	2023	2022	2021
	(\$)	(\$)	(\$)
Director fees	600,933	522,349	370,094
Management fees paid to a company controlled by CEO and director	592,500	566,487	290,225
Management fees paid to a company controlled by the President and director	-	-	205,691
Management fees paid to a company that the CEO holds an economic interest in	429,766	442,485	315,643
Management fees paid to a company controlled by a director	215,019	383,288	-
Salaries	979,154	843,917	722,068

Share-based payments	1,109,232	2,106,906	2,475,949
Totals	3,926,604	4,865,432	4,379,670

7.C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

The audited consolidated financial statements for the years ended December 31, 2023 and 2022 can be found under “Item 18. Financial Statements”.

8.B. Significant Changes

We are not aware of any significant change that has occurred since December 31, 2023, the date of the audited consolidated financial statements included in this Annual Report, and that has not been disclosed elsewhere in this Annual Report.

ITEM 9. THE OFFER AND LISTING.

9.A. Offer and Listing Details

The Common Shares are listed and posted for trading on the CSE under the trading symbol “DPRO”, on the Nasdaq under the symbol “DPRO”, and on the Frankfurt Stock Exchange under the trading symbol “3U8A”.

9.B. Plan of Distribution

Not applicable.

9.C. Markets

A discussion of all stock exchanges and other regulated markets on which our securities are listed is provided under “Item 9.A. Offer and Listing Details.”

9.D. Selling Shareholders

Not applicable.

9.E. Dilution

Not applicable.

9.F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. Share Capital

Not applicable.

10.B. Memorandum and Articles of Association

The Company was incorporated under the laws of the Province of British Columbia, Canada and was assigned the number BC1166724. The Company is governed by the BCBCA.

Our Articles do not contain a description of our objects and purposes.

Our Articles do not restrict a director's power to vote on a proposal, arrangement or contract in which the director is materially interested, vote compensation to themselves or any other members of their body in the absence of an independent quorum or exercise borrowing powers. There is no mandatory retirement age for our directors and our directors are not required to own securities of the Company in order to serve as directors.

Our authorized share capital consists of an unlimited number of Common Shares of which 63,393,221 were issued and outstanding as of March 26, 2024 and an unlimited number of Preferred Shares, issuable in series, none of which were issued and outstanding as of March 26, 2024.

Each Common Share entitles the holder to receive notice of and attend all meetings of the shareholders. Each Common Share carries the right to one vote. The holders of Common Shares are entitled to receive any dividends declared by the Company in respect of the Common Shares at such time and in such amount as may be determined by the Board, in its discretion. In the event of the liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, holders of Common Shares are also entitled to participate, rateably, in the distribution of the assets of the Company, subject to the rights of the holders of any other class of shares ranking in priority to the Common Shares.

The Preferred Shares may be issuable in series and the directors may, from time to time before the issue of any Preferred Shares of any particular series, define and attach special rights, privileges, restrictions, and conditions to the Preferred Shares of any series, including voting rights, entitlement to dividends, and redemption, conversion, and exchange rights. In the event of the liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, holders of Preferred Shares will rank on a parity with holders of the Preferred Shares of every other series and be entitled to preference over the Common Shares and over any other shares of the Company ranking junior to the Preferred Shares.

The provisions in our Articles attaching to the Common Shares may be altered, amended, repealed, suspended or changed by the affirmative vote of the holders of not less than two-thirds of the Common Shares present in person or by proxy at any such meeting of holders.

Our Articles provide for our directors to hold office until the expiry of his or her term (which is stipulated to be immediately before the next election or appointment of directors at an annual general meeting of our shareholders) or until his or her successor is elected or appointed, unless their respective office is earlier vacated in accordance with our Articles or with the provisions of the BCBCA. A director appointed or elected to fill a vacancy on the Board holds office for the unexpired term of their predecessor.

An annual meeting of shareholders must be held at such time in each year that is not later than 15 months after the last preceding annual meeting and at such place as the Board may from time to time determine. The holders of not less than five percent of the issued Common Shares that carry the right to vote at a meeting may requisition our Board to call a meeting of shareholders for the purposes stated in the requisition. The quorum for the transaction of business at any meeting of shareholders is two persons who are, or represented by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to vote at the meeting. In addition to those persons who are entitled to vote at a meeting of shareholders, the only other persons entitled to be present at the meeting are the directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company and any other persons invited to be present at the meeting by the directors or by the chair of the meeting and any persons entitled or required under the BCBCA or our Articles to be present at the meeting; but if any of those persons

does attend the meeting, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

Except as provided in the *Investment Canada Act*, there are no limitations specific to the rights of non-Canadians to hold or vote the Common Shares under the laws of Canada or the Province of British Columbia, or in our charter documents.

Our Articles do not contain provisions that would have an effect of delaying, deferring or preventing a change in control of the Company. Our Articles do not contain any provisions that would operate only with respect to a merger, acquisition or corporate restructuring of our company.

Our Articles do not contain any provisions governing the ownership threshold above which shareholder ownership must be disclosed.

Our Articles are not significantly different from the requirements of the BCBCA and the conditions imposed by our Articles governing changes in capital are not more stringent than what is required by the BCBCA.

10.C. Material Contracts

There are no material contracts entered into by Draganfly within the two most recently completed financial years, or before the two most recently completed financial years but which are still in effect, other than contracts entered into in the ordinary course of business.

10.D. Exchange Controls

There are currently no government laws, decrees, regulations or other legislation of Canada or the United States that restrict the export or import of capital (including the availability of cash and cash equivalents) or that affect the remittance of dividends, distributions, interest or other payments to non-residents of Canada or the United States holding our Common Shares. Any remittances of dividends to United States residents and to other non-residents are, however, subject to withholding tax. See "Taxation" below.

10.E. Taxation

Certain U.S. Federal Income Tax Considerations

The following discussion describes the material U.S. federal income tax consequences relating to the ownership and disposition of Common Shares by U.S. Holders (as defined below). This discussion applies to U.S. Holders that hold Common Shares as capital assets (generally, property held for investment). This discussion is based on the Code, U.S. Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as certain financial institutions, banks, insurance companies, broker-dealers and traders in securities or other persons that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities or government organizations, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, persons who hold Common Shares as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or integrated investment, persons required to accelerate the recognition of any item of gross income with respect to the Common Shares as a result of such income being recognized on an applicable financial statement, persons that have a "functional currency" other than the U.S. dollar, persons that own directly, indirectly or through attribution 10% or more of the voting power or value of our shares, corporations that accumulate earnings to avoid U.S. federal income tax, partnerships and other pass-through entities (or arrangements treated as a partnership for U.S. federal income tax purposes), and investors in such pass-through entities). This discussion does not address any U.S. state or local or non-U.S. tax consequences or any U.S. federal estate, gift or alternative minimum tax consequences.

As used in this discussion, the term “U.S. Holder” means a beneficial owner of Common Shares that is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences relating to an investment in the Common Shares will depend in part upon the status and activities of such entity or arrangement and the particular partner. Any such entity or arrangement should consult its own tax advisor regarding the U.S. federal income tax consequences applicable to it and its partners of the purchase, ownership and disposition of Common Shares.

U.S. Holders should consult their own tax advisors as to the particular tax consequences applicable to them relating to the purchase, ownership and disposition of Common Shares, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

Passive Foreign Investment Company Consequences

In general, a corporation organized outside the United States will be treated as a PFIC, for any taxable year in which either (1) at least 75% of its gross income is “passive income”, or (2) on average at least 50% of its assets, determined on a quarterly basis, are assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and gains from the sale or exchange of property that gives rise to passive income. Assets that produce or are held for the production of passive income generally include cash, even if held as working capital or raised in a public offering, marketable securities, and other assets that may produce passive income. Generally, in determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Based on the current and expected composition of our income and the value of our assets, we believe that we were not a PFIC United States federal income tax purposes for the for the taxable year ended December 31, 2023 and we expect that we will not be a PFIC for the current taxable year. Nevertheless, because our PFIC status must be determined annually with respect to each taxable year and will depend on the composition and character of our assets and income, including our use of proceeds from an offering of Common Shares, and the value of our assets (which may be determined, in part, by reference to the market value of Common Shares, which may be volatile) over the course of such taxable year, we may be a PFIC in any taxable year. The determination of whether we will be or become a PFIC may also depend, in part, on how, and how quickly, we use our liquid assets and the cash raised in an offering of Common Shares. If we determine not to deploy significant amounts of cash for active purposes, our risk of being a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for any future taxable year. In addition, it is possible that the U.S. Internal Revenue Service may challenge our classification of certain income and assets as non-passive, which may result in us being or becoming a PFIC in the current or subsequent years.

If we are a PFIC in any taxable year during which a U.S. Holder owns Common Shares, the U.S. Holder could be liable for additional taxes and interest charges under the “PFIC excess distribution regime” upon (1) a distribution paid during a taxable year that is greater than 125% of the average annual distributions paid in the three preceding

taxable years, or, if shorter, the U.S. Holder's holding period for the Common Shares, and (2) any gain recognized on a sale, exchange or other disposition, including a pledge, of the Common Shares, whether or not we continue to be a PFIC. Under the PFIC excess distribution regime, the tax on such distribution or gain would be determined by allocating the distribution or gain ratably over the U.S. Holder's holding period for Common Shares. The amount allocated to the current taxable year (i.e., the year in which the distribution occurs or the gain is recognized) and any year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates in effect for individuals or corporations, as applicable, to ordinary income for each such taxable year, and an interest charge, generally applicable to underpayments of tax, will be added to the tax.

If we are a PFIC for any year during which a U.S. Holder holds Common Shares, we must generally continue to be treated as a PFIC by that holder for all succeeding years during which the U.S. Holder holds the Common Shares, unless (i) we cease to meet the requirements for PFIC status and the U.S. Holder makes a "deemed sale" election with respect to the Common Shares or for the period immediately preceding our cessation in meeting the tests described above the Common Shares were subject to a mark-to-market election or (ii) the U.S. Holder makes a timely and effective "qualified electing fund" election ("**QEF Election**") with respect to all taxable years during such U.S. Holder's holding period in which the we are a PFIC. If the election is made, the U.S. Holder will be deemed to sell the Common Shares at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain recognized from such deemed sale would be taxed under the PFIC excess distribution regime. After the deemed sale election, the U.S. Holder's Common Shares would not be treated as shares of a PFIC unless we subsequently become a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds Common Shares and one of our non-U.S. corporate subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be taxed under the PFIC excess distribution regime on distributions by the lower-tier PFIC and on gain from the disposition of shares of the lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to our non-U.S. subsidiaries.

If we are a PFIC, a U.S. Holder will not be subject to tax under the PFIC excess distribution regime on distributions or gain recognized on Common Shares if such U.S. Holder makes a valid "mark-to-market" election for our Common Shares. A mark-to-market election is available to a U.S. Holder only for "marketable stock". Our Common Shares will be marketable stock as long as they remain listed on the Nasdaq and are regularly traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. If a mark-to-market election is in effect, a U.S. Holder generally would take into account, as ordinary income each year, the excess of the fair market value of Common Shares held at the end of such taxable year over the adjusted tax basis of such Common Shares. The U.S. Holder would also take into account, as an ordinary loss each year, the excess of the adjusted tax basis of such Common Shares over their fair market value at the end of the taxable year, but only to the extent of the excess of amounts previously included in income over ordinary losses deducted as a result of the mark-to-market election. The U.S. Holder's tax basis in Common Shares would be adjusted to reflect any income or loss recognized as a result of the mark-to-market election. Any gain from a sale, exchange or other disposition of Common Shares in any taxable year in which we are a PFIC would be treated as ordinary income and any loss from such sale, exchange or other disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss.

A mark-to-market election will not apply to Common Shares for any taxable year during which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. Such election will not apply to any non-U.S. subsidiaries that we may organize or acquire in the future. Accordingly, a U.S. Holder may continue to be subject to tax under the PFIC excess distribution regime with respect to any lower-tier PFICs that we may organize or acquire in the future notwithstanding the U.S. Holder's mark-to-market election for the Common Shares.

A U.S. Holder who makes a QEF Election generally must report on a current basis its share of our net capital gain and ordinary earnings for any year in which we are a PFIC, whether or not we distribute any amounts to our shareholders. However, U.S. holders should be aware that there can be no assurance that we will satisfy the record keeping requirements that apply to a QEF, or that we will supply U.S. holders with information that such U.S. holders require to report under the QEF election rules, in the event that the Company is a PFIC and a U.S. holder wishes to make a QEF election.

Each U.S. person that is an investor of a PFIC is generally required to file an annual information return on IRS Form 8621 containing such information as the U.S. Treasury Department may require. The failure to file IRS Form 8621 could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

The U.S. federal income tax rules relating to PFICs are very complex. U.S. Holders are strongly urged to consult their own tax advisors with respect to the impact of PFIC status on the purchase, ownership and disposition of Common Shares, the consequences to them of an investment in a PFIC, any elections available with respect to the Common Shares and the IRS information reporting obligations with respect to the purchase, ownership and disposition of Common Shares of a PFIC.

Distributions on the Common Shares

Subject to the discussion above under “— Passive Foreign Investment Company Consequences,” a U.S. Holder that receives a distribution with respect to Common Shares generally will be required to include the gross amount of such distribution (before reduction for any Canadian withholding taxes withheld therefrom) in gross income as a dividend when actually or constructively received to the extent of the U.S. Holder’s pro rata share of our current and/or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder’s pro rata share of our current and accumulated earnings and profits, it will be treated first as a tax-free return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder’s Common Shares. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder’s Common Shares, the remainder will be taxed as capital gain. Because we may not account for our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect all distributions to be reported to them as dividends. Distributions on Common Shares that are treated as dividends generally will constitute income from sources outside the United States for foreign tax credit purposes and generally will constitute passive category income. Such dividends will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations.

Dividends paid by a “qualified foreign corporation” are eligible for taxation in the case of non-corporate U.S. Holders at a reduced long-term capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain requirements are met. Each non-corporate U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate on dividends with regard to its particular circumstances.

A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (b) with respect to any dividend it pays on Common Shares that are readily tradable on an established securities market in the United States. We believe that we qualify as a resident of Canada for purposes of, and are eligible for the benefits of, the U.S.-Canada Treaty, which the IRS has determined is satisfactory for purposes of the qualified dividend rules and that it includes an exchange of information provision, although there can be no assurance in this regard. Further, our Common Shares will generally be considered to be readily tradable on an established securities market in the United States if they remain listed on the Nasdaq, as we intend the Common Shares to be. Therefore, subject to the discussion above under “—Passive Foreign Investment Company Consequences”, if the U.S. Treaty is applicable, or if the Common Shares are readily tradable on an established securities market in the United States, dividends paid on Common Shares will generally be “qualified dividend income” in the hands of non-corporate U.S. Holders, provided that certain conditions are met, including conditions relating to holding period and the absence of certain risk reduction transactions.

Sale, Exchange or Other Disposition of Common Shares

Subject to the discussion above under “— Passive Foreign Investment Company Consequences,” a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of Common Shares in an amount equal to the difference, if any, between the amount realized (i.e., the amount of cash plus the fair market value of any property received) on the sale, exchange or other disposition and such U.S. Holder’s adjusted tax basis in the Common Shares. Such capital gain or loss generally will be long-term capital gain taxable at a reduced rate for non-corporate U.S. Holders or long-term capital loss if, on the date of sale, exchange or other disposition, the Common Shares were held by the U.S. Holder for more than one year. Any capital gain of a non-corporate U.S. Holder that is not long-term capital gain is taxed at ordinary income rates. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by a U.S. Holder from the sale or other disposition of Common Shares will generally be gain or loss from sources within the United States for U.S. foreign tax credit purposes.

Medicare Tax

Certain U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally are subject to a 3.8% Medicare tax on all or a portion of their net investment income, which may include their gross dividend income and net gains from the disposition of Common Shares. If you are a U.S. person that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of this Medicare tax to your income and gains in respect of your investment in Common Shares.

Information Reporting and Backup Withholding

U.S. Holders may be required to file certain U.S. information reporting returns with the IRS with respect to an investment in Common Shares, including, among others, IRS Form 8938 (Statement of Specified Foreign Financial Assets). As described above under “Passive Foreign Investment Company Consequences”, each U.S. Holder who is a shareholder of a PFIC must file an annual report containing certain information. U.S. Holders paying more than US\$100,000 for Common Shares may be required to file IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) reporting this payment. Substantial penalties may be imposed upon a U.S. Holder that fails to comply with the required information reporting.

Dividends on and proceeds from the sale or other disposition of Common Shares may be reported to the IRS unless the U.S. Holder establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder (1) fails to provide an accurate U.S. taxpayer identification number or otherwise establish a basis for exemption, or (2) is described in certain other categories of persons. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder’s U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

U.S. Holders should consult their own tax advisors regarding the backup withholding tax and information reporting rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF THE COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR OWN PARTICULAR CIRCUMSTANCES.

Certain Canadian Federal Income Tax Considerations for United States Residents

The following is, at the date of this Annual Report, a summary of certain Canadian federal income tax considerations generally applicable to the holding and disposition of Common Shares acquired by a holder who, at all relevant times, (a) for the purposes of the Tax Act (i) is not resident, or deemed to be resident, in Canada, (ii) deals at “arm’s length” with the Company, and is not “affiliated” with the Company (each as defined in the Tax Act), (iii) acquires and holds Common Shares as capital property, (iv) does not use or hold Common Shares in the course of carrying on, or otherwise in connection with, a business carried on or deemed to be carried on in Canada, and (v) is not an insurer that carries on an insurance business in Canada and elsewhere or “authorized foreign bank” (as defined in the Tax Act), or other holder of special status, and (b) for the purposes of the Canada-U.S. Tax Convention (1980) (the “**Tax Treaty**”), is a resident of the United States, has never been a resident of Canada, does not have and has not had, at any time, a “permanent establishment” (as defined in the Tax Treaty) of any kind in Canada, and otherwise qualifies for the full benefits of the Tax Treaty. Holders who meet all the criteria in clauses (a) and (b) above are referred to herein as “**United States Holders**”, and this summary only addresses such United States Holders.

This summary does not deal with special situations, such as the particular circumstances of traders or dealers, tax exempt entities, insurers or financial institutions, or other holders of special status or in special circumstances. Such holders, and all other holders who do not meet the criteria in clauses (a) and (b) above, should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the “**Regulations**”), the current provisions of the Tax Treaty (each as in force as of the date of this Annual Report) and the Company’s understanding of the administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that such Proposed Amendments will be enacted in the form proposed. However, such Proposed Amendments might not be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policies or assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account tax laws of any province or territory of Canada or of any other jurisdiction outside Canada, which may differ significantly from those discussed in this summary.

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Common Shares must generally be expressed in Canadian dollars. Amounts denominated in United States currency generally must be converted into Canadian dollars using a rate of exchange that is acceptable to the CRA.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular United States Holder, and no representation with respect to the Canadian federal income tax consequences to any particular United States Holder or prospective United States Holder is made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, all United States Holders should consult with their own tax advisors for advice with respect to their own particular circumstances.

Withholding Tax on Dividends

Amounts paid or credited or deemed to be paid or credited as, on account or in lieu of payment of, or in satisfaction of, dividends on Common Shares to a United States Holder will be subject to Canadian withholding tax. Under the Tax Act, the rate of withholding is 25% of the gross amount of the dividend.

Under the Tax Treaty, the rate of withholding on any such dividend beneficially owned by a United States Holder is generally reduced to 15%, and may further be reduced to 5% if the United States Holder is a company entitled to full benefits under the Tax Treaty that owns, directly or indirectly, at least 10% of the voting stock of the Company.

Dispositions of Common Shares

A United States Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Common Share, nor will a capital loss arising therefrom be recognized under the Tax Act, unless such Common Share constitutes “taxable Canadian property” (as defined in the Tax Act) of the United States Holder at the time of disposition and the United States Holder is not entitled to relief under the Tax Treaty.

Provided the Common Shares are listed on a “designated stock exchange” (as defined in the Tax Act) (which currently includes the Nasdaq and CSE) and are so listed at the time of disposition, the Common Shares generally will not constitute “taxable Canadian property” of a United States Holder at that time unless, at any time during the 60-month period immediately preceding the disposition, the following two conditions are met concurrently: (i) 25% or more of the issued shares of any class or series of shares of the Company were owned by or belonged to one or any combination of (a) the United States Holder, (b) persons with whom the United States Holder did not deal at “arm’s length” (within the meaning of the Tax Act), or (c) partnerships in which the United States Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of (a) real or immovable property situated in Canada, (b) “Canadian resource properties” (as defined in the Tax Act), (c) “timber resource properties” (as defined in the Tax Act), or (d) options in respect of, interests in, or, for civil law purposes, a right in, the foregoing property, whether or not such property exists. Notwithstanding the foregoing, a Common Share may be deemed to be “taxable Canadian property” in certain other circumstances. United States Holders should consult their own tax advisors as to whether their Common Shares will constitute “taxable Canadian property”.

United States Holders who may hold Common Shares as “taxable Canadian property” should consult their own tax advisors with respect to the application of Canadian capital gains taxation, any potential relief under the Tax Treaty, and special compliance procedures under the Tax Act, none of which are described in this summary.

SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CANADIAN OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON SHARES, INCLUDING, IN PARTICULAR, THE EFFECT OF ANY NON-U.S., STATE OR LOCAL TAXES.

10.F. Dividends and Paying Agents

Not applicable.

10.G. Statement by Experts

Not applicable.

10.H. Documents on Display

Documents concerning our company referred to in this Annual Report may be viewed by appointment during normal business hours at our registered and records office at Suite 2700, 1133 Melville Street, Vancouver, British Columbia V6E 4E5.

10.I. Subsidiary Information

Not applicable.

10.J. Annual Report to Security Holders

The Company will provide this Annual Report to securityholders, as applicable, in electronic format in accordance with the EDGAR Filer Manual.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party fails to meet its contractual obligations. The Company is subject to credit risk on its cash and receivables. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company performs credit evaluations of its customers. Receivables are shown net of any provision made for impairment of the receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in receivables.

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Credit and liquidity risk associated with cash and the marketable security is managed by ensuring assets are placed with major financial institutions with strong investment grade ratings.

Credit risk on trade and other receivables reflects the risk that the Company may be unable to recover them. Trade and other receivables that are greater than 30 days are considered past due. The table below sets out the status of trade and other receivables, no allowance for doubtful accounts has been recorded as at December 31, 2023 and December 31, 2022.

	December 31, 2023	December 31, 2022
0 – 30 days	\$ 271,622	\$ 1,020,091
31 – 60 days	109,928	116,378
61 – 90 days	64,259	343,364
91 + days	203,803	609,132
	<u>\$ 649,612</u>	<u>\$ 2,088,965</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to minimal interest rate risk on its cash balances as they carry a floating rate of interest. We do not currently hedge our interest rate risk.

Foreign Currency Risk

We are also exposed to market risk related to change in foreign currency exchange rates. Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does engage in significant transactions

and activities in currencies other than its functional currency, the Canadian dollar. Such transactions are primarily denominated in the U.S. dollar. Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Depending on the timing of the transactions and the applicable currency exchange rates such conversions may positively or negatively impact the Company. We do not currently hedge our foreign exchange rate risk.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A. Debt Securities

Not applicable.

12.B. Warrants and Rights

Not applicable.

12.C. Other Securities

Not applicable.

12.D. American Depositary Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

14.E. Use of Proceeds

The effective date of the registration statement on Form F-10 (File No. 333-258074) for the Company's initial underwritten public offering of securities in the United States was July 29, 2021 (defined herein as the "**US Offering**"). The offering of 5,000,000 Common Shares at a price of U.S.\$4.00 per share closed on August 3, 2021 for gross proceeds of U.S.\$20,000,000, before deducting underwriting discounts and offering expenses of approximately U.S.\$2,400,000 for total net proceeds to the Company from the offering of U.S.\$17,600,000. ThinkEquity, a division of Fordham Financial Management, Inc. ("**ThinkEquity**"), was the sole book-running manager for the offering.

In addition, ThinkEquity was granted a 45-day over-allotment option following the closing date to purchase up to an additional 750,000 shares. On September 15, 2021, the Company announced the exercise of 95,966 of the over-allotment shares at a price of U.S.\$4.00 per share for additional gross proceeds of U.S.\$383,864, bringing the aggregate gross proceeds of the US Offering to U.S.\$20,383,864 before deducting underwriting discounts and offering expenses. After deducting underwriting discounts and offering expenses of U.S.\$2,400,000, the total net proceeds to the Company from the US Offering were approximately U.S.\$17,983,864. None of the net proceeds of the US Offering were paid directly or indirectly to any director or officer of ours or to their associates, persons owning 10% or more of any class of our equity securities, or to any of our affiliates.

The Company has fully used the net proceeds of the US Offering. The proceeds that the Company has used have been used for general corporate purposes, including funding ongoing operations, growth initiatives, and working capital. There has been no material change in the use of proceeds from our initial public offering from that described in our prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on July 30, 2021 (the “**Supplement**”). The Company used the net proceeds of the offering, together with existing cash, for general corporate purposes, including to fund ongoing operations, to fund growth initiatives and/or for working capital requirements including the continuing development and marketing of the Company’s core products, potential acquisitions and research and development, as set out in the Supplement.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this Annual Report, an evaluation of the effectiveness of the design and operation of the Company’s “disclosure controls and procedures” (as such term is defined in Rules 13a-15(e) and Rule 15d-15(e) under the Exchange Act) was carried out by the Company’s principal executive officer (the “**CEO**”) and principal financial officer (the “**CFO**”). Based upon that evaluation, the Company’s CEO and CFO have concluded that, as of the end of the period covered by this Annual Report, the design and operation of the Company’s disclosure controls and procedures are effective to ensure that (i) information required to be disclosed in reports that the Company files or submits to regulatory authorities is recorded, processed, summarized and reported within the time periods specified by regulation, and (ii) is accumulated and communicated to management, including the Company’s CEO and CFO, to allow timely decisions regarding required disclosure.

It should be noted that while the Company’s CEO and CFO believe that the Company’s disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company’s disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management Report on Internal Control Over Financial Reporting & Auditor Attestation

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) under the Securities Exchange Act of 1934, as amended) and has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In designing and evaluating the Company’s internal control over financial reporting, the Company’s management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its reasonable judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth in “Internal Control – Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2023.

Attestation Report of Independent Auditor

In accordance with the JOBS Act enacted on April 5, 2012, the Company qualifies as an “emerging growth company,” which entitles the Company to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs. Specifically, the JOBS Act defers the requirement to have the Company’s independent auditor assess the Company’s internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act. As such, the Company is exempted from the requirement to include an auditor attestation report in this Annual Report for so long as the Company remains an EGC, which may be for as long as five years following its initial registration in the United States.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2023, there were no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company’s Audit Committee, which consists exclusively of independent directors within the meaning of NI 52-110 and the Nasdaq listing requirements, is comprised of Olen Aasen, Julie Myers Wood and John M. Mitnick. Olen Aasen is the Chair of the Audit Committee. The Board of Directors has determined that Julie Myers Wood, Olen Aasen, and John M. Mitnick each meet the independence requirements for directors, including the heightened independence standards for members of the audit committee under Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and NI 52-110. The Board has determined that Olen Aasen is “financially literate” within the meaning of NI 52-110 and the Nasdaq listing requirements and an “audit committee financial expert” as defined by Rule 10A-3 under the Exchange Act. For a description of the education and experience of each member of the Audit Committee, see “Item 6A. Directors, Senior Management and Employees.”

ITEM 16B. CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics applicable to all of its directors, officers and employees, including its CEO and CFO, which is a “code of ethics” as defined in section 406(c) of the Sarbanes-Oxley Act. The Code of Business Conduct and Ethics sets out the fundamental values and standards of behavior that the Company expects from our directors, officers and employees with respect to all aspects of its business.

If the Company grants any waiver of the Code of Business Conduct and Ethics, whether explicit or implicit, to a director or executive officer, it will disclose the nature of such waiver on its website to the extent required by, and in accordance with, the rules and regulations of the SEC.

The full text of the Code of Business Conduct and Ethics is posted on the Company’s website at www.draganfly.com and the System for Electronic Document Analysis and Retrieval+ (SEDAR+) profile at www.sedarplus.ca. The information on or accessible through the website is not part of and is not incorporated by reference into this Annual Report, and the inclusion of the website address in this Annual Report is only for reference.

The Audit Committee is responsible for reviewing and evaluating the Code of Business Conduct and Ethics periodically and will recommend any necessary or appropriate changes thereto to the Board for consideration. The Audit Committee will also assist the Board of Directors with the monitoring of compliance with the Code of Business Conduct and Ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth information regarding the amount billed and accrued to the Company by Dale Matheson Carr-Hilton Labonte LLP, for the fiscal years ended December 31, 2023 ad 2022:

Services	Year Ended December 31,	
	2023	2022
Audit Fees ⁽¹⁾	\$ 235,000	\$ 250,000
Audit-Related Fees ⁽²⁾	\$ 83,000	\$ 63,900
Tax Fees ⁽³⁾	\$ 12,600	\$ 11,000
Other Fees ⁽⁴⁾	\$ -	\$ -

Notes:

- (1) “Audit fees” means the aggregate fees billed for professional services rendered by our principal accounting firm for the audit of the Company’s annual financial statements and the review of its comparative interim financial statements.
- (2) “Audit-related fees” means the aggregate fees billed for professional services rendered by the Company’s principal accounting firm for the assurance and related services, which mainly included the audit and review of financial statements and are not reported under “Audit fees” above.
- (3) “Tax fees” means the aggregate fees billed for professional services rendered by the Company’s principal accounting firm for tax compliance, tax advice and tax planning.
- (4) “Other fees” means the aggregate fees incurred in each of the fiscal years listed for the professional tax services rendered by the Company’s principal accounting firm other than services reported under “Audit fees,” “Audit-related fees” and “Tax fees.”

The policy of the Company’s Audit Committee is to pre-approve all audit and non-audit services provided by Dale Matheson Carr-Hilton Labonte LLP, its independent registered public accounting firm, including audit services, audit-related services, tax services, and other services as described above.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not Applicable.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The Company is a foreign private issuer and its Common Shares are listed on the Nasdaq Capital Market. Rule 5615(a)(3) of the rules of the Nasdaq Stock Market LLC Rules (the “**Nasdaq Rules**”) permits a foreign private issuer to follow its home country practices in lieu of certain requirements of the 5600 Series of the Nasdaq Rules, which set forth corporate governance requirements. In order to claim such an exemption, the Company must disclose the significant differences between its corporate governance practices and those required to be followed by U.S. domestic issuers under the Nasdaq Rules. Set forth below is a brief summary of such differences.

Quorum Requirement

Nasdaq Rule 5620(c) requires that each company that is not a limited partnership shall provide for a quorum as specified in its by-laws for any meeting of holders of common stock; provided, however, that in no case shall such quorum be less than 33 1/3% of the outstanding shares of the company's common voting stock. The Company does not presently follow this Nasdaq Rule. Instead, and in accordance with the Nasdaq exemption, the Company complies with the BCBCA which does not require a quorum of no less than 33 1/3% of the outstanding shares of the Company's common voting shares and provides that the quorum for the transaction of business at a meeting of shareholders is the quorum established by the Company's Articles, which is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

Independent Compensation Committee

Nasdaq Rule 5605(d)(2) requires that listed companies have a compensation committee comprised entirely of independent directors. The Company does not have a compensation committee comprised entirely of independent directors. Under Canadian securities laws, National Policy 58-201 only recommends that a compensation committee be composed entirely of independent directors. The rules of the CSE likewise do not require an entirely independent compensation committee.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Not Applicable.

ITEM 16K. CYBERSECURITY

Draganfly conducts annual IT general controls (ITGC) audits through a third-party firm to evaluate internal risks to key business systems. Any significant deficiencies identified are promptly addressed and documented. Additionally, to mitigate external risks, Draganfly has enlisted the services of an Extended Detection and Response (XDR) provider for continuous 24/7 monitoring, threat hunting, incident response, and vulnerability management.

The XDR platform aggregates data from various sources including network scanners, endpoint agents, and cloud APIs. This data undergoes rigorous analysis leveraging machine-learning-powered threat intelligence and human expertise to swiftly identify and address cybersecurity threats in real-time. Any unusual findings are promptly communicated to the Systems Administrator via ticketing. In instances of critical alerts posing a material risk to the company, affected systems are immediately quarantined at the kernel level, isolating them from network communication until remedial actions can be taken.

Furthermore, Draganfly conducts quarterly reviews of the XDR provider services overseen by the Systems Administrator. To mitigate the risk of the XDR provider compromising Draganfly's systems, an air-gap approach is implemented, ensuring that the provider cannot directly intervene in Draganfly's systems except to quarantine systems, a capability that can be terminated by the Systems Administrator at any time.

In addition to our robust cybersecurity measures, Draganfly prioritizes employee awareness and readiness to counter emerging threats. Regular cybersecurity training is conducted to educate our staff on recognizing and mitigating social engineering attacks. These sessions emphasize the importance of vigilance and critical thinking when encountering

suspicious emails, phone calls, or other forms of communication aimed at deceiving individuals into divulging sensitive information or compromising security protocols.

As of the current reporting period, Draganfly has not experienced any cybersecurity incidents. However, we recognize that social engineering attacks pose a significant threat to our business operations and financial condition. While we remain vigilant and have implemented robust security measures to mitigate such risks, we acknowledge that social engineering attacks have the potential to compromise our systems and disrupt our operations.

The full Board receives a quarterly report and dashboard which sets out our security stance (whether there have been any incidents), and our phish-prone percentage as we believe that is our highest risk factor.

Management receives the same quarterly report and as the team meets weekly, any concerns or decisions relating to security are brought forward by the Chief Legal and Corporate Services Officer. Should there be any specific issues or incidents, the Chief Legal and Corporate Services Officer would report them immediately to the Chair of the Board and the chair of the Audit Committee.

PART III

ITEM 17: FINANCIAL STATEMENTS

Refer to Item 18. Financial Statements.

ITEM 18: FINANCIAL STATEMENTS

Financial Statements Filed as Part of this Annual Report:

Audited Annual Financial Statements as at December 31, 2023 and 2022:

Independent Auditor's Report of Dale Matheson Carr-Hilton Labonte LLP, dated March 27, 2024;	F-2
Consolidated Statements of Financial Position for the years ended December 31, 2023 and 2022;	F-3
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2023 and 2022;	F-4
Consolidated Statements of Changes in Shareholder Equity (Deficiency) for the years ended December 31, 2023 and 2022;	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022;	F-6
Notes to the Consolidated Financial Statements	F-7

ITEM 19. EXHIBITS

The following Exhibits are being filed as part of this Annual Report, or are incorporated by reference where indicated:

Exhibit Number	Description
1.1	<u>Certificate of Incorporation dated June 1, 2018 (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
1.2	<u>Articles dated June 1, 2018 (incorporated herein by reference to the Company's Registration Statement on Form S-8 (Registration Number 333-259459) filed with the SEC on September 10, 2021)</u>
1.3	<u>Certificate of Change of Name dated August 15, 2019 (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
1.4	<u>Notice of Articles dated June 1, 2018 (incorporated herein by reference to the Company's Registration Statement on Form S-8 (Registration Number 333-259459) filed with the SEC on September 10, 2021)</u>
2.1	<u>Specimen Option Agreement of the Company (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
2.2	<u>Specimen Restricted Share Unit Agreement of the Company (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
2.3	<u>Specimen Warrant Certificate of the Company (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
2.4	<u>Specimen Warrant Certificate of the Company (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
2.5	<u>Specimen Warrant Certificate of the Company (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
4.1	<u>Business Services Agreement between the Company and Business Instincts Group Inc. dated August 1, 2019 (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
4.2#	<u>Share Compensation Plan dated August 9, 2019, as amended April 14, 2021 (incorporated herein by reference to the Company's Registration Statement on Form S-8 (Registration Number 333-259459) filed with the SEC on September 10, 2021)</u>
4.3#	<u>Consultant Agreement with 1502372 Alberta Ltd., dated October 1, 2019 (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
4.4*#	<u>Independent Consultant Agreement Amending Agreement with 1502372 Alberta Ltd. dated April 1, 2022</u>
4.5*#	<u>Independent Consulting Agreement with Scott Larson dated April 1, 2022</u>
4.6#	<u>Employment Agreement with Paul Sun dated November, 2020 (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
4.7#	<u>Amending Agreement with Paul Sun, dated September 3, 2021 (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
4.8*#	<u>Employment Agreement Amending Agreement with Paul Sun dated April 1, 2022</u>
4.9*#	<u>Employment Agreement Amendment with Paul Sun dated April 21, 2023</u>
4.10*#	<u>Employment Agreement with Paul Mullen dated April 12, 2021</u>
4.11*#	<u>Employment Agreement Amending Agreement with Paul Mullen dated April 1, 2022</u>
4.12*#	<u>Employment Agreement Amendment with Paul Mullen dated April 1, 2023</u>
4.13*#	<u>Employment Agreement with Deborah Greenberg dated June 3, 2022</u>
4.14*#	<u>Employment Agreement Amendment with Deborah Greenberg dated April 1, 2023</u>
8.1*	<u>Subsidiaries of the Company</u>
11.1	<u>Code of Business Conduct and Ethics (incorporated herein by reference to the Company's Annual Report on Form 20-F (File No. 001-40688) filed with the SEC on April 4, 2022)</u>
12.1*	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</u>
12.2*	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer</u>
13.1†	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

- 13.2† [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 15.1* [Management's Discussion and Analysis for the fiscal year ended December 31, 2023](#)
- 15.2 [Audit Committee Charter \(incorporated herein by reference to the Company's Annual Report on Form 20-F \(File No. 001-40688\) filed with the SEC on April 4, 2022\)](#)
- 15.3* [Consent of independent registered public accounting firm \(Dale Matheson Carr-Hilton Labonte LLP\)](#)
- 97* [Compensation Clawback Policy](#)
- 101* The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2023, formatted in eXtensible Business Reporting Language (XBRL):
- (i) Consolidated Balance Sheets as of December 31, 2023 and 2022;
 - (ii) Consolidated Statements of Operations for the years ended December 31, 2023 and 2022;
 - (iii) Consolidated Statements of Comprehensive Loss for the years ended December 31, 2023 and 2022;
 - (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2023 and 2022;
 - (v) Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022; and
 - (vi) Notes to Consolidated Financial Statements
- 104* Cover Page Interactive Data File (formatted as Inline eXtensible Business Reporting Language (iXBRL) and contained in Exhibit 101)

* Filed herewith.

† Furnished herewith

Indicates management contract or compensatory plan.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

DRAGANFLY INC.

/s/ Paul Sun

By: Paul Sun
Title: Chief Financial Officer

Date: March 27, 2024

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The logo for Draganfly Inc. features the word "dragan" in a bold, black, lowercase sans-serif font. To its right, the word "FLY" is written in a bold, blue, uppercase sans-serif font. Below "FLY", the letters "I N C" are stacked in a smaller, black, uppercase sans-serif font. A trademark symbol (TM) is located to the upper right of the "Y" in "FLY".

Draganfly Inc.
Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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dmcl.ca



Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Draganfly Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Draganfly Inc. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of comprehensive loss, changes in shareholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred losses in developing its business, and further losses are anticipated. The Company requires additional funds to meet its obligations and the costs of its operations. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in this regard are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform,

an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

We have served as the Company's auditor since 2018
Vancouver, Canada (PCAOB ID 1173)
March 27, 2024

Vancouver

1500 - 1140 West Pender St.
Vancouver, BC V6E 4G1
604.687.4747

Surrey

200 - 1688 152 St.
Surrey, BC V4A 4N2
604.531.1154

Tri-Cities

700 - 2755 Lougheed Hwy
Port Coquitlam, BC V3B 5Y9
604.941.8266

Victoria

320 - 730 View St.
Victoria, BC V8W 3Y7
250.800.4694

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Draganfly Inc.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$ 3,093,612	\$ 7,894,781
Receivables	5	649,612	2,088,965
Inventory	6	1,596,536	1,055,942
Notes receivable	7	-	169,300
Prepays	8	1,342,215	2,307,724
		6,681,975	13,516,712
Non-current Assets			
Equipment	10	680,801	404,691
Intangible assets	11	56,426	179,801
Investments	9	189,403	192,583
Right of use assets	12	721,687	344,746

TOTAL ASSETS		\$ 8,330,292	\$ 14,638,533
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Trade payables and accrued liabilities	14,20	\$ 2,638,981	\$ 2,816,676
Customer deposits		104,715	194,758
Deferred income	15	12,112	63,690
Loans payable	16	85,058	81,512
Derivative liability	17	4,196,125	57,314
Lease liabilities	13	362,001	133,962
		<u>7,398,992</u>	<u>3,347,912</u>

Non-current Liabilities

Loans payable	16	-	5,059
Deferred income	15	95,562	-
Lease liabilities	13	428,022	244,681

TOTAL LIABILITIES		7,922,576	3,597,652
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SHAREHOLDERS' EQUITY

Share capital	17	97,070,976	83,600,089
Reserves – share-based payments	17	6,870,139	7,264,340
Accumulated deficit		(103,588,356)	(79,976,546)
Accumulated other comprehensive income (loss)		54,957	152,998

TOTAL SHAREHOLDERS' EQUITY		407,716	11,040,881
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 8,330,292	\$ 14,638,533
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Nature and Continuance of Operations and Going Concern (Note 1)

Subsequent Events (Note 23)

Approved and authorized for issuance by the Board of Directors on March 27, 2024.

“Scott Larson”

“Cameron Chell”

The accompanying notes are an integral part of these consolidated financial statements.

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Draganfly Inc.

Consolidated Statements of Comprehensive Loss

Expressed in Canadian Dollars

		For the years ended December 31,		
	Note	2023	2022	2021
REVENUE				
Sales of goods	18	\$ 5,287,093	\$ 5,550,432	\$ 5,103,399
Provision of services	18	1,267,749	2,054,627	1,950,466
TOTAL REVENUE		6,554,842	7,605,059	7,053,865
COST OF SALES	6	(4,490,728)	(6,814,384)	(4,410,777)
GROSS PROFIT		2,064,114	790,675	2,643,088

OPERATING EXPENSES

Amortization	11	35,960	179,482	135,966
Depreciation	10,12	510,677	593,277	175,098
Director fees	20	600,933	522,349	370,094
Insurance		1,825,137	3,722,237	2,962,767
Office and miscellaneous	19	6,303,879	5,397,961	6,455,998
Professional fees	20	4,145,586	6,821,583	4,445,949
Research and development		1,554,823	651,302	510,895
Share-based payments	17	2,021,664	3,311,024	3,952,595
Travel		704,994	396,388	143,904
Wages and salaries	20	6,976,792	6,105,020	2,768,010
		(24,680,445)	(27,700,623)	(21,921,276)

OTHER INCOME (EXPENSE)

Change in fair value of derivative liability	17	211,110	5,502,688	8,149,812
Finance and other costs		83,280	44,345	5,074
Foreign exchange gain		(249,563)	745,102	362,448
Loss on disposal of assets	10	(944)	(10,755)	-
Loss on write-off of notes receivable	7	(101,351)	(309,385)	(891,471)
Government income		5,232	2,446	24,148
Write down of deposit	8	-	(228,572)	-
Loss on impairment of goodwill and intangibles	11	-	(6,454,914)	(4,579,763)
Other income (expense)	17	(943,243)	(35,371)	4,968
NET LOSS FOR THE YEAR		(23,611,810)	(27,654,364)	(16,202,972)

OTHER COMPREHENSIVE INCOME (LOSS)**Items that may be reclassified to profit or loss**

Foreign exchange translation		(94,861)	447,542	136,475
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Items that will not be reclassified to profit or loss

Change in fair value of equity investments at FVOCI	9	(3,180)	(98,483)	(332,640)
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COMPREHENSIVE LOSS FOR THE YEAR		(23,709,851)	(27,305,305)	(16,399,137)
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Net loss per share

Basic & diluted		\$ (0.56)	\$ (0.82)	\$ (0.59)
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Weighted average number of common shares outstanding - basic & diluted

	42,192,384	33,556,969	27,787,348
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The accompanying notes are an integral part of these consolidated financial statements.

Draganfly Inc.
Consolidated Statements of Changes in Shareholders' Equity
Expressed in Canadian Dollars

Number of Shares	Share Capital	Reserves – Share-Based Payments	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)		Total Shareholders' Equity
				Change in Fair Value of Investments at FVTOCI	Exchange Differences on Translation	

	of Foreign Operations						
Balance at December 31, 2020	17,218,695	\$36,943,304	\$ 3,024,007	\$ (36,119,210)	\$ -	\$ 104	\$ 3,848,205
Shares issued in the acquisitions of Vital	1,200,000	2,303,999	1,241,250	-	-	-	3,545,249
Shares issued for financing	11,584,657	36,092,187	-	-	-	-	36,092,187
Share issue costs	-	(4,678,821)	864,060	-	-	-	(3,814,761)
Shares issued for exercise of RSU's	448,660	1,752,052	(1,752,052)	-	-	-	-
Shares issued for exercise of warrants	1,939,534	4,929,790	-	-	-	-	4,929,790
Shares issued for exercise of stock options	405,499	1,937,866	(923,743)	-	-	-	1,014,123
Shares issued in lieu of cash	371,901	1,757,988	-	-	-	-	1,757,988
Share-based payments	-	-	3,952,595	-	-	-	3,952,595
Net loss	-	-	-	(16,202,972)	-	-	(16,202,972)
Change in fair value of equity investments at FVOCI	-	-	-	-	(332,640)	-	(332,640)
Translation of foreign operations	-	-	-	-	-	136,475	136,475
Balance at December 31, 2021	33,168,946	\$81,038,365	\$6,406,117	\$ (52,322,182)	\$ (332,640)	\$ 136,579	\$ 34,926,239
Shares issued for the exercise of stock options	12,500	51,875	(25,000)	-	-	-	26,875
Shares issued for the exercise of warrants	16,538	87,170	-	-	-	-	87,170
Shares issued for the exercise of RSUs	1,072,595	2,427,801	(2,427,801)	-	-	-	-
Shares issue costs	-	(5,122)	-	-	-	-	(5,122)

Share-based payments	-	-	3,311,024	-	-	-	3,311,024
Net loss	-	-	-	(27,654,364)	-	-	(27,654,364)
Change in fair value of equity investments at FVOCI	-	-	-	-	(98,483)	-	(98,483)
Translation of foreign operations	-	-	-	-	-	447,542	447,542
Balance at December 31, 2022	<u>34,270,579</u>	<u>\$83,600,089</u>	<u>\$ 7,264,340</u>	<u>\$ (79,976,546)</u>	<u>\$ (431,123)</u>	<u>\$ 584,121</u>	<u>\$ 11,040,881</u>
Shares issued for financing – ATM (“At-the-market”)	650,729	1,748,946	-	-	-	-	1,748,946
Share issue costs	-	(222,136)	-	-	-	-	(222,136)
Shares issued for financing	12,800,000	11,376,230	-	-	-	-	11,376,230
Share issue costs	-	(2,072,886)	224,868	-	-	-	(1,848,018)
Shares issued for the exercise of RSUs	1,508,255	2,640,733	(2,640,733)	-	-	-	-
Share-based payments	-	-	2,021,664	-	-	-	2,021,664
Net loss	-	-	-	(23,611,810)	-	-	(23,611,810)
Change in fair value of equity investments at FVOCI	-	-	-	-	(3,180)	-	(3,180)
Translation of foreign operations	-	-	-	-	-	(94,861)	(94,861)
Balance as of December 31, 2023	<u>49,229,563</u>	<u>\$97,070,976</u>	<u>\$ 6,870,139</u>	<u>\$ (103,588,356)</u>	<u>\$ (434,303)</u>	<u>\$ 489,260</u>	<u>\$ 407,716</u>

The accompanying notes are an integral part of these consolidated financial statements.

Draganfly Inc.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

For the years ended December 31,

2023	2022	2021
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OPERATING ACTIVITIES

Net loss for the year	\$ (23,611,810)	\$ (27,654,364)	\$ (16,202,972)
Adjustments for:			
Amortization	35,960	179,482	135,966
Depreciation	510,677	593,277	175,098
Bad debt	216,238	-	-
Change in fair value of derivative liability	(211,110)	(5,502,688)	(8,149,812)
Write down of inventory	331,671	1,976,514	-
Impairment of notes receivable	101,351	309,385	891,471
Impairment of goodwill and intangibles	87,415	6,454,914	4,579,763
Write down of deposit	-	228,572	-
Finance and other costs	4,355,156	(34,427)	(926)
(Gain) loss on sale of assets	18,426	-	(24,148)
Share-based payments	2,021,664	3,311,024	3,952,595
	<u>(16,144,362)</u>	<u>(20,138,311)</u>	<u>(14,642,965)</u>
Net changes in non-cash working capital items:			
Receivables	1,223,112	(681,838)	(596,336)
Inventory	(872,265)	(150,241)	(2,157,203)
Prepays	965,509	2,958,581	(3,401,868)
Trade payables and accrued liabilities	(170,782)	1,661,697	(1,044,133)
Customer deposits	(90,043)	22,624	(213,315)
Deferred income	43,984	(21,543)	51,186
Cash used in operating activities	<u>(15,044,847)</u>	<u>(16,349,031)</u>	<u>(22,004,634)</u>

INVESTING ACTIVITIES

Cash paid for acquisition, net of cash received	-	-	(466,643)
Purchase of equipment	(490,391)	(79,713)	(212,579)
Disposal of equipment	46,976	10,755	-
Purchase of intangible assets	-	(4,684)	-
Purchase of investments	-	-	(623,706)
Repayment (Issuance) of notes receivable	63,838	842,297	(2,002,678)
Cash provided by (used in) investing activities	<u>(379,577)</u>	<u>768,655</u>	<u>(3,305,606)</u>

FINANCING ACTIVITIES

Proceeds from issuance of common shares for financing	13,125,176	-	44,255,651
Share issue costs	(2,070,154)	(5,122)	(3,814,762)
Proceeds from issuance of common shares for warrants exercised	-	87,170	4,929,790
Proceeds from issuance of common shares for stock options exercised	-	26,875	1,014,123
Proceeds from issuance of loans	-	-	60,000
Repayment of loans	(6,747)	(6,746)	(48,747)
Repayment of lease liabilities	(330,159)	(150,275)	(128,996)
Cash provided by (used in) financing activities	<u>10,718,116</u>	<u>(48,098)</u>	<u>46,267,059</u>
Effects of exchange rate changes on cash	(94,861)	447,542	136,478
Change in cash	(4,706,308)	(15,628,474)	20,956,819
Cash and cash equivalents, beginning of year	7,894,781	23,075,713	1,982,416
Cash and cash equivalents, end of year	<u>\$ 3,093,612</u>	<u>\$ 7,894,781</u>	<u>\$ 23,075,713</u>

The following are included in cash flow from operating activities:

Interest paid in cash	<u>\$ 57,041</u>	<u>\$ 51,338</u>	<u>\$ 31,010</u>
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The accompanying notes are an integral part of these consolidated financial statements.

Draganfly Inc.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023
Expressed in Canadian Dollars

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Draganfly Inc. (the “Company”) was incorporated on June 1, 2018 under the Business Corporations Act (British Columbia). The Company creates quality, cutting-edge unmanned and remote data collection and analysis platforms and systems that are designed to revolutionize the way companies do business. The Company’s shares trade on the Canadian Securities Exchange (the “CSE”), on the Nasdaq Capital Market (the “Nasdaq”) under the symbol “DPRO” and on the Frankfurt Stock Exchange under the symbol “3U8A”. The Company’s head office is located at 235 103rd St. E, Saskatoon, SK, S7N 1Y8 and its registered office is located at 2800 – 666 Burrard Street, Vancouver, BC, V6C 2Z7.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. To date, the Company has not been profitable and has an accumulated deficit of \$103,588,356. The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. These factors raise substantial doubt over the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Reporting Interpretation Committee (“IFRIC”). The material accounting policy information set out below was consistently applied to all years presented unless otherwise noted.

These consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2024.

Basis of consolidation

Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Name of Subsidiary	Place of Incorporation	Ownership Interest
Draganfly Innovations Inc. (DII)	Canada	100%
Draganfly Innovations USA, Inc. (DI USA)	US	100%
Dronelogs Systems Inc. (“Dronelogs”)	Canada	100%

All intercompany balances and transactions were eliminated on consolidation.

Draganfly Inc.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023
Expressed in Canadian Dollars

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONT'D)

Foreign currency translation

Transactions in foreign currencies are translated into the functional currency at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at the reporting period rate of exchange. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses resulting from foreign exchange adjustments are included in profit or loss.

The functional currencies of the parent company and each subsidiary are as follows:

Draganfly Inc.	Canadian Dollar
Draganfly Innovations Inc.	Canadian Dollar
Draganfly Innovations USA, Inc.	US Dollar
Dronelogs Systems Inc.	Canadian Dollar

Financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars as follows: all asset and liability accounts are translated at the year-end exchange rate and all revenue and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as exchange differences on translation of foreign operations in other comprehensive loss.

Share-based payments

The Company may grant stock options or restricted share units (“RSU’s”) to its directors, officers, employees and consultants. The Company records share-based compensation related to stock options using the Black-Scholes Option Pricing Model.

The RSU’s granted entitle an employee, director or officer to either the issuance of common shares or cash payments payable upon vesting with terms determined by the Company’s Board of Directors at the time of the grant. If on the grant date it is determined there is an obligation to settle in cash, the RSU’s are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and on the settlement date. Changes in fair value are recognized in profit and loss. Expense is recognized over the vesting period.

The Company has a present obligation to settle in cash if the choice of settlement in shares has no commercial substance, or the Company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement. If no such obligation exists, RSUs are accounted for as equity settled share-based payments and are valued using the share price on grant date. Upon settlement:

- a) If the Company elects to settle in cash, the cash payment is accounted for as the repurchase of an equity interest (i.e. as a deduction from equity), except as noted in (c) below.
- b) If the Company elects to settle by issuing shares, the value of RSUs initially recognized in reserves is reclassified to share capital, except as noted in (c) below.
- c) If the Company elects the settlement alternative with the higher fair value, as at the date of settlement, the Company recognizes an additional expense for the excess value given (i.e. the difference between the cash paid

and the fair value of shares that would otherwise have been issued, or the difference between the fair value of the shares and the amount of cash that would otherwise have been paid, whichever is applicable).

Draganfly Inc.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023
Expressed in Canadian Dollars

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONT'D)

The aggregate sales price or amount of common shares issued during any consecutive 12-month period will not exceed the greatest of the following: (i) USD \$1,000,000; (ii) 15% of the total assets of the Company, measured at the Company's most recent balance sheet date; or (iii) 15% of the outstanding amount of the common shares of the Company, measured at the Company's most recent balance sheet date. At the election of the Board of Directors, upon each vesting date, participants receive (a) the issuance of common shares from treasury equal to the number of RSUs vesting, or (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a common share, calculated as the closing price of the common shares on the CSE for the trading day immediately preceding such payment date; or (c) a combination of (a) and (b).

In conjunction with private placements or brokered financings, the Company may issue compensatory warrants to agents as consideration for services provided. Awards of grants are accounted for in accordance with the fair value method of accounting and result in an increase in share issue costs and a credit to warrants within shareholders' equity when warrants are issued.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the year.

Diluted income per share is calculated by dividing the profit attributable to common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares. The Company had 8,574,798 warrants, 897,158 options and 1,112,967 RSU's that would be potentially dilutive if the Company were not in a loss position and were to calculate diluted income per share.

Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9 Financial Instruments: Classification and Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Financial assets/liabilities</u>	<u>Classification</u>
Cash and cash equivalents	Fair value through profit or loss
Receivables	Amortized cost
Notes receivable	Fair value through profit or loss
Investments	Fair value through other comprehensive income
Trade payables	Amortized cost
Customer deposits	Amortized cost
Loans payable	Amortized cost
Derivative liability	Fair value through profit or loss

a) Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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Draganfly Inc.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023
Expressed in Canadian Dollars

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONT'D)

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the cash flows are not solely principal and interest, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are recorded to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the

Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recorded to profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

b) Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. Trade payables, customer deposits and loans payable are included in this category.

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Draganfly Inc.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023
Expressed in Canadian Dollars

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONT'D)

Derecognition of financial liabilities

Financial liabilities are derecognized when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually, whether or not there is any indication that it may be impaired:

- an intangible asset with an indefinite useful life; and
- an intangible asset not yet available for use;

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed in a subsequent period when there has been an increase in the recoverable amount of a previously impaired asset or CGU. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income taxes relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Draganfly Inc.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023
Expressed in Canadian Dollars

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONT'D)

Deferred income tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Inventory

Inventory consists of raw materials and finished goods for manufacturing of multi-rotor helicopters, industrial aerial video systems, civilian small unmanned aerial systems or vehicles, health monitoring equipment, and wireless video

systems. Inventory is initially valued at cost and subsequently at the lower of cost and net realizable value. Cost is determined using the first-in-first-out method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes and transport, handling and other costs directly attributable to the acquisition of finished goods, materials or services. The costs of conversion include direct materials and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and consulting services in the ordinary course of the Company's business. Revenue is shown net of return allowances and discounts.

Sales of goods

The Company manufactures and sells a range of multi-rotor helicopters, industrial aerial video systems, and civilian small unmanned aerial systems or vehicles. Sales are recognized at a point-in-time when control of the products has transferred. The control transfer for Dronelogs Systems Inc. ("Dronelogs") and Draganfly Innovations USA, Inc. is when the products are shipped to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. At this point revenue is recognized. For Draganfly Innovations Inc. transfer occurs for sales outside of North America when shipped and for sales within North America on delivery which occurs in proximity to shipping. Revenue is recognized when the transfer of control has occurred.

Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts and returns. Accumulated experience is used to estimate and provide for the discounts and returns, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. To date, returns have not been significant. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Some contracts include multiple performance obligations, such as the sale of hardware and support or maintenance. Where support or maintenance is performed by another party and does not include an integration service it is accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on stand-alone selling price. Where the stand-alone selling price is not directly observable, the price is estimated based on expect cost plus margin. Where the support or maintenance is provided by the Company, the contract is analyzed to identify the performance obligations and transaction price. The price is then allocated across the obligations identified in the contract. Revenue is recognized when the Company satisfies a performance obligation.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONT'D)

Services

The Company provides consulting, custom engineering, drones as a service, and investigating and solving on a project-by-project basis under fixed-price and variable price contracts. Revenue from providing services is recognized over time as the services are rendered.

The Company provides rental of equipment which is measured based on rates through contracts or other written agreements with customers. Revenue is recognized in the period when services are performed and only when there is reasonable assurance that the revenue will be collected.

Deferred Income

A payment received is included as deferred revenue when products have yet be shipped to the customers as of the period end or there are unfulfilled obligations related to the revenue received. The amount to be recognized within twelve months following the year-end date is classified as current.

Cost of Goods Sold

Cost of sales includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight costs, as well as provisions for reserves related to product shrinkage, or lower of cost and net realizable value adjustments as required.

Intangible Assets and Goodwill

An intangible asset is an identifiable asset without physical substance. An asset is identifiable if it is separable, or arises from contractual or legal rights, regardless of whether those rights are transferrable or separable from the Company or from other rights and obligations. Intangible assets include intellectual property, which consists of patent and trademark applications, brands and software.

Intangible assets acquired externally are measured at cost less accumulated amortization and impairment losses. The cost of a group of intangible assets acquired is allocated to the individual intangible assets based on their relative fair values. The cost of intangible assets acquired externally comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Research and development costs incurred subsequent to the acquisition of externally acquired intangible assets and on internally generated intangible assets are accounted for as research and development costs.

Intangible assets with finite useful lives are amortized on a straight-line basis over the expected life of each intellectual property to write off the cost of the assets from the date they are available for use.

<u>Class of intangible asset</u>	<u>Useful live</u>
Customer relationship	5 years
Brand	5 years
Software	5 years
Patents	5 years

Goodwill represents the excess of the value of the consideration transferred over the fair value of the net identifiable assets and liabilities acquired in a business combination. Goodwill is allocated to the cash generating unit to which it relates.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONT'D)

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive loss.

Depreciation is generally calculated on a declining balance method to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation for leasehold improvements is fully expensed over the expected term of the lease. The depreciation rates applicable to each category of equipment are as follows:

<u>Class of equipment</u>	<u>Depreciation rate</u>
Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	Expected lease term
Vehicles	30%

Research and development expenditures

Expenditures on research are expensed as incurred. Research activities include formulation, design, evaluation and final selection of possible alternatives, products, processes, systems or services. Development expenditures are expensed as incurred unless the Company can demonstrate all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) its intention to complete the intangible asset and use or sell it;
- (iii) its ability to use or sell the intangible asset;
- (iv) how the intangible asset will generate probable future economic benefits. The Company can also demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Draganfly Inc.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023
Expressed in Canadian Dollars

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONT'D)

Government Assistance

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the cost of the asset is reduced by the amount of the grant and the grant is recognized as income in equal amounts over the expected useful life of the asset.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, the lease liability is recognized at the present value of the future lease payments and discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate. A corresponding right-of-use ("ROU") asset is recognized at the amount of the lease liability, adjusted for any lease incentives received and initial direct costs incurred. Over the term of the lease, financing expense is recognized on the lease liability using the effective interest rate method and charged to net income, lease payments are applied against the lease liability and depreciation on the ROU asset is recorded by class of underlying asset.

The lease term is the non-cancellable period of a lease plus periods covered by an optional lease extension option if it is reasonably certain that the Company will exercise the option to extend. Conversely, periods covered by an option to terminate are included if the Company does not expect to end the lease during that time frame. Leases with a term of less than twelve months or leases for underlying low value assets are recognized as an expense in net income on a straight-line basis over the lease term.

A lease modification is accounted for as a separate lease if it materially changes the scope of the lease. For a modification that is not a separate lease, on the effective date of the lease modification, the Company will remeasure the lease liability and corresponding ROU asset using the interest rate implicit in the lease or the Company's incremental borrowing rate. Any variance between the remeasured ROU asset and lease liability will be recognized as a gain or loss in net income to reflect the change in scope.

New accounting standards issued not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. MANAGEMENT JUDGEMENT AND ASSUMPTIONS

Significant estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions about reported amounts at the date of the consolidated financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

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Draganfly Inc.
Notes to the Consolidated Financial Statements
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3. MANAGEMENT JUDGEMENT AND ASSUMPTIONS (CONT'D)

Share-based payments

The cost of share-based payment transactions with directors, officers and employees are measured by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk-free interest rate, expected forfeiture rate and dividend yield.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined with reference to the estimated selling price less costs to sell. The Company estimates selling price based upon assumptions about future demand and current and anticipated retail market conditions. The future realization of these inventories may be affected by future technology or other market- driven changes that may reduce future selling prices.

Investments in Private companies

Where the fair value of investments in private companies recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value and this value may not be indicative of the eventual recoverable value.

Expected credit losses on trade receivables and notes receivable

When determining expected credit losses (“ECLs”), the Company considers the historic credit losses observed by the Company, customer-specific payment history and economic conditions. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL’s, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience, informed credit assessment and forward-looking information.

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3. MANAGEMENT JUDGEMENT AND ASSUMPTIONS (CONT'D)

Useful lives of equipment and intangible assets

Estimates of the useful lives of equipment and intangible assets are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of the relevant assets may be based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the equipment would increase the recorded expenses and decrease the non-current assets.

Significant judgments

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied to the Company's consolidated financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments;
- the assessment of revenue recognition using the five-step approach under IFRS 15; and
- the determination of the functional currency of each entity in the group.

4. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash held in banks	\$ 3,093,612	\$ 7,500,607
Guaranteed investment certificates	-	394,174
	\$ 3,093,612	\$ 7,894,781

On March 27, 2022 the Company renewed a GIC for \$142,852 for 1 year at a rate of 1.00% per annum. On August 23, 2022 the Company redeemed the renewed GIC for \$143,436 and purchased a new GIC for \$143,436 for 1 year at a rate of 4.5% per annum.

On May 30, 2022 the Company renewed the GIC for \$140,493 for 1 year at a rate of 0.75% per annum. On August 23, 2022 the Company redeemed the renewed GIC for \$140,738 and purchased a new GIC for \$140,738 for 1 year at a rate of 4.5% per annum.

All GIC's were required to be maintained and renewed upon maturity until such time as the associated credit cards were cancelled. These credit cards were cancelled and all related GIC's were not renewed during the year ended December 31, 2023.

5. RECEIVABLES

	December 31, 2023	December 31, 2022
Trade accounts receivable	\$ 610,443	\$ 1,343,795
Taxes receivable	39,169	745,170
	\$ 649,612	\$ 2,088,965

During the year ended December 31, 2023 the Company recorded a provision for doubtful accounts of \$216,238 (2022 - \$nil).

The Company applies a direct customer analysis approach to measure expected credit losses. The Company assesses collectability of receivables of each customer on an individual basis using quantitative and qualitative information available to management. The historical loss rates are adjusted to reflect the current and forward-looking information on economic factors affecting the ability of the customers to make regular monthly payments on the receivables.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include business closure and/or the failure to make monthly contractual payments.

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6. INVENTORY

	December 31, 2023	December 31, 2022
Finished goods	\$ 904,858	\$ 542,934
Parts	691,678	513,008
	\$ 1,596,536	\$ 1,055,942

During the year ended December 31, 2023, \$3,738,980 (2022 - \$6,048,348; 2021 - \$3,420,713) of inventory was recognized in cost of sales including an allowance for obsolete and slow-moving inventory of \$331,671 (2022 - \$1,976,514; 2021 - \$nil).

Cost of sales consist of the following:

	December 31, 2023	December 31, 2022	December 31, 2021
Inventory	\$ 3,738,980	\$ 6,048,348	\$ 3,420,713
Consulting and services	549,448	730,170	679,345
Other	202,300	35,866	310,719
	\$ 4,490,728	\$ 6,814,384	\$ 4,410,777

7. NOTES RECEIVABLE

	<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Accretion</u>	<u>(Impairment)/Recovery</u>	<u>Repayments</u>	Balance December 31, 2023
Note 1 ⁽¹⁾	2023-12-15	0%	\$ 190,396	\$ -	\$ -	\$ (101,351)	\$ (63,838)	-
Note 2 ⁽¹⁾	2024-09-22	5%	1,003,682	-	-	-	-	-
Total			<u>\$1,194,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,351)</u>	<u>\$ (63,838)</u>	<u>\$ -</u>

	<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Accretion</u>	<u>(Impairment)/Recovery</u>	<u>Repayments</u>	Balance December 31, 2022
Note 1 ⁽¹⁾	2023-03-31	0%	\$ 190,396	\$ -	\$ 12,764	\$ -	\$ (33,860)	\$ 169,300
Note 2 ⁽¹⁾	2024-09-22	5%	1,003,682	48,992	27,971	(1,080,645)	-	-
Note 3	2022-04-26	8%	-	37,177	-	771,260	(808,437)	-
Total			<u>\$1,194,078</u>	<u>\$86,169</u>	<u>\$ 40,735</u>	<u>\$ (309,385)</u>	<u>\$ (842,297)</u>	<u>\$ 169,300</u>

(1) These notes are denominated in US dollars and are converted to Canadian dollars at the reporting date.

Note 1 was issued on April 4, 2021, is non-interest bearing and is secured by intellectual property. This note is measured at fair value through profit or loss with an initial maturity date of October 31, 2022. During the year ended December 31, 2022 the parties agreed on an amended maturity date of January 31, 2023. During the year ended

December 31, 2023 the parties agreed to extend the maturity date to December 15, 2023. As the borrower has not repaid the loan it was impaired to \$nil.

Note 2 was issued on September 9, 2021, bears interest at 5%, is unsecured, and contains a conversion feature upon sale of the recipient. This note is measured at fair value through profit or loss. Management has determined that it is unlikely that the loan will be repaid and the loan was impaired to \$nil during the year ended December 31, 2022.

Note 3 was issued on November 17, 2021 bearing interest at 8% and was due April 26, 2022. At December 31, 2021, management determined that it was unlikely that the loan would be repaid and the loan was written down to \$nil. During the year ended December 31, 2022, the parties agreed on a repayment plan, with the loan and interest being repaid in the amount of \$808,437.

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Draganfly Inc.
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8. PREPAIDS

	December 31,	December 31, 2022
	2023	
Insurance	\$ 838,445	\$ 1,148,455
Prepaid interest	810	1,889
Prepaid marketing services	71,539	733,417
Prepaid rent	21,768	12,485
Prepaid subscriptions	48,007	29,194
Deposits ⁽¹⁾	361,646	382,284
	\$ 1,342,215	\$ 2,307,724

- (1) A deposit in the amount of \$228,572 related to the purchase of inventory related to the Vital Intelligence Inc. acquisition was written off during the year ended December 31, 2022 as there was uncertainty related to whether the Company would recover the value.

9. INVESTMENTS

Balance at December 30, 2021	291,066
Change in fair value	(98,483)
Balance at December 31, 2022	192,583
Change in fair value	(3,180)
Balance at December 31, 2023	\$ 189,403

Fair value of investments is comprised of:

Public company shares	\$ 57,143
Private company shares	132,260
Balance at December 31, 2023	\$ 189,403
Public company shares	\$ 57,143
Private company shares	135,440
Balance at December 31, 2022	\$ 192,583

The Company holds 1,428,571 common shares (2022 – 1,428,571) and nil (2022 – 1,428,571) warrants of Windfall Geotek Inc. a publicly traded company. At December 31, 2023 the fair value of the shares was based on the quoted price of \$0.04 (2022 - \$0.04). As of the issue date of these consolidated financial statements the quoted price of the shares was \$0.03. The warrants expired on March 17, 2023. The fair values of the warrants as of December 31, 2022 were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	<u>December 31, 2022</u>
Risk free interest rate	4.07%
Expected volatility	116.00%
Expected life	0.21 years
Expected dividend yield	<u>0%</u>

On October 27, 2021, the Company purchased 50,000 common shares of a private company for USD\$100,000. In determining the fair value of the investment (classified at level 3 in the fair value hierarchy), the Company considers if observable market data exists on a quarterly basis to value the investment. Since inception, the Company has not had any adjustments to the fair value of the investment based on observable market data.

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Draganfly Inc.
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10. EQUIPMENT

	<u>Computer Equipment</u>	<u>Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Software</u>	<u>Vehicles</u>	<u>Total</u>
Cost						
Balance at December 31, 2021	\$ 54,110	\$ 342,472	\$ 4,352	\$ 29,967	\$ 36,033	\$ 466,934
Additions	60,240	528,080	-	-	-	588,320
Disposals	(18,688)	(36,099)	(4,352)	(29,967)	-	(89,106)
Balance at December 31, 2022	\$ 95,662	\$ 834,453	\$ -	\$ -	\$ 36,033	\$ 966,148
Additions	58,611	320,941	86,530	-	24,310	490,394
Disposals	(21,000)	(115,204)	-	-	-	(136,204)
Balance at December 31, 2023	\$ 133,273	\$ 1,040,192	\$ 86,530	\$ -	\$ 60,343	\$ 1,320,338
Accumulated depreciation						
Balance at December 31, 2021	\$ 25,291	\$ 102,277	\$ 4,352	\$ 24,737	\$ 13,234	\$ 169,891
Charge for the year	32,627	433,855	-	-	3,435	469,917
Disposals	(15,920)	(33,342)	(4,352)	(24,737)	-	(78,351)
Balance at December 31, 2022	\$ 41,998	\$ 502,790	\$ -	\$ -	\$ 16,669	\$ 561,457
Charge for the year	22,762	112,361	6,790	-	12,497	154,410
Disposals	(6,582)	(69,748)	-	-	-	(76,330)
Balance at December 31, 2023	\$ 58,178	\$ 545,403	\$ 6,790	\$ -	\$ 29,166	\$ 639,537
Net book value:						
December 31, 2022	\$ 53,664	\$ 331,663	\$ -	\$ -	\$ 19,364	\$ 404,691
December 31, 2023	\$ 75,095	\$ 494,789	\$ 79,740	\$ -	\$ 31,177	\$ 680,801

During the year ended December 31, 2022 \$508,607 of inventory that was used for rental services was transferred to equipment.

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Draganfly Inc.
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11. INTANGIBLE ASSETS AND GOODWILL

	<u>Patents</u>	<u>Customer Relationships</u>	<u>Brand</u>	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
Cost						
Balance at December 31, 2021	\$ 41,931	\$ 197,000	\$ 23,000	\$ 552,000	\$ 5,940,409	\$ 6,754,340
Additions	-	-	-	4,684	-	4,684
Foreign exchange translation	-	-	1,571	29,576	257,782	288,929
Impairment	-	-	(24,571)	(462,577)	(6,198,191)	(6,685,339)
Balance at December 31, 2022	<u>\$ 41,931</u>	<u>\$ 197,000</u>	<u>\$ -</u>	<u>\$ 123,683</u>	<u>\$ -</u>	<u>\$ 362,614</u>
Impairment	-	(87,415)	-	-	-	(87,415)
Balance at December 31, 2023	<u>\$ 41,931</u>	<u>\$ 109,585</u>	<u>\$ -</u>	<u>\$ 123,683</u>	<u>\$ -</u>	<u>\$ 275,199</u>
Accumulated amortization						
Balance at December 31, 2021	\$ 41,931	\$ 60,414	\$ 3,450	\$ 114,235	\$ -	\$ 220,030
Charge for the year	-	27,317	4,719	147,446	-	179,482
Foreign exchange translation	-	-	431	13,295	-	13,726
Impairment	-	-	(8,600)	(221,825)	-	(230,425)
Balance at December 31, 2022	<u>41,931</u>	<u>87,731</u>	<u>-</u>	<u>53,151</u>	<u>-</u>	<u>182,813</u>
Charge for the year	-	21,854	-	14,106	-	35,960
Balance at December 31, 2023	<u>\$ 41,931</u>	<u>\$ 109,585</u>	<u>\$ -</u>	<u>\$ 67,257</u>	<u>\$ -</u>	<u>\$ 218,773</u>
Net book value:						
December 31, 2022	<u>\$ -</u>	<u>\$ 109,269</u>	<u>\$ -</u>	<u>\$ 70,532</u>	<u>\$ -</u>	<u>\$ 179,801</u>
December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,426</u>	<u>\$ -</u>	<u>\$ 56,426</u>

Goodwill

On December 31, 2022 the Company performed its annual goodwill impairment test on Vital and Dronelogics. The Company determined the recoverable amount based on a value in use calculation using the following key assumptions:

- 5 year post tax cash flow projections expected to be generated based on a financial forecast with a terminal growth rate of 2% (2021 – 2%).
- Budgeted cash flows calculated using a weighted average revenue EBITDA margin of 6.5% (2021 – 14%) for Dronelogics and 0% (2021 – 42%) for Vital Intelligence Inc. (“Vital”) respectively were estimated by management based on the past performance and future growth prospects as well as observed trends among comparable companies.
- Cash flows were discounted at the weighted average cost of capital of 19% (2021 – 17%) for Dronelogics and 29% (2021 – 24%) for Vital based on peer group averages and adjusted for the Company’s risk factors.

Based on the annual goodwill impairment test, the Company determined that the goodwill for Dronelogics and Vital required impairment, as such the Company recorded an impairment charge of \$2,166,563 (2021 – nil) for Dronelogics and \$4,031,628 (2021 - \$4,579,763) for Vital. In addition to the goodwill, the Company deemed that the brand and

software for Vital required impairment, as such the Company recorded an impairment charge of \$15,971 and \$240,752 respectively.

The most sensitive inputs to the value in use model are the growth and discount rates. All else being equal:

- A 10% reduction in the Value in use for the discounted cash flow model would result in a reduction of \$104,248 for Dronelogics (2021 – \$597,100) and \$Nil for Vital (2021 - \$570,133).

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Draganfly Inc.
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12. RIGHT OF USE ASSETS

	Total
Cost	
Balance at December 31, 2021 and 2022	\$ 683,117
Additions	740,355
Lease adjustment	-
Balance at December 31, 2023	\$ 1,423,472
Accumulated depreciation	
Balance at December 31, 2021	\$ 215,011
Charge for the year	123,360
Balance at December 31, 2022	\$ 338,371
Charge for the year	363,086
Foreign exchange	328
Balance at December 31, 2023	\$ 701,785
Net book value:	
December 31, 2022	\$ 344,746
December 31, 2023	\$ 721,687

The consolidated statement of financial position shows the following amounts related to leases:

	December 31, 2023	December 31, 2022
Buildings	\$ 721,687	\$ 342,361
Vehicles	-	2,385
	\$ 721,687	\$ 344,746

Additions to the right of the assets during the 2023 financial year were \$740,355 (2022 - \$nil).

13. LEASE LIABILITES

The Company leases certain assets under lease agreements. The lease liabilities consist of leases of facilities and vehicles with terms ranging from one to five years. The leases are calculated using incremental borrowing rates ranging from 11.7% to 13.3%.

	Total
Balance at December 31, 2021	\$ 489,123
Interest expense	39,795
Lease payments	(150,275)
Balance at December 31, 2022	378,643
Interest expense	96,423
Additions	734,903
Lease payments	(423,410)
Foreign exchange	3,464
Balance at December 31, 2023	\$ 790,023

Which consists of:

	December 31, 2023	December 31, 2022
Current lease liability	\$ 362,001	\$ 133,962
Non-current lease liability	428,022	244,681
Ending balance	\$ 790,023	\$ 378,643

Maturity analysis	December 31, 2023	December 31, 2022
Less than one year	\$ 429,948	\$ 147,340
One to three years	355,879	209,078
Four to five years	141,519	83,850
Total undiscounted lease liabilities	927,346	440,268
Amount representing interest	(137,323)	(61,625)
	\$ 790,023	\$ 378,643

Variable lease payments of \$43,542 (2022 - \$22,539) have been recognized in profit and loss.

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Draganfly Inc.
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14. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2023	December 31, 2022
Trade accounts payable	\$ 1,259,623	\$ 751,422
Accrued liabilities	1,345,649	2,031,545
Government grant payable	33,709	33,709
	\$ 2,638,981	\$ 2,816,676

15. DEFERRED INCOME

At times, the Company may take payment in advance for services to be rendered. These amounts are held and recognized as services are rendered.

	December 31, 2023	December 31, 2022
Deferred, revenue beginning	\$ 63,690	\$ 5,233
Revenue recognized	(64,816)	(4,939)
Unearned revenues received	108,800	63,396
	\$ 107,674	\$ 63,690
Current portion	\$ 12,112	\$ 63,690
Long term portion	95,562	-
	\$ 107,674	\$ 63,690

Deferred revenue of \$12,112 as of December 31, 2023 is expected to be recognized as revenue within one year. The remaining is related to a long-term support and maintenance arrangement and will be recognized according to the terms of that arrangement over the next 5 years.

16. LOANS PAYABLE

	December 31, 2023	December 31, 2022
Opening balance	\$ 86,571	\$ 93,317
Issuance of loans payable	-	-
Fair value adjustment	-	(4,891)
Repayment of loans payable	(6,747)	(6,746)
Accretion expense	5,234	4,891
Ending balance	\$ 85,058	\$ 86,571

	Start Date	Maturity Date	Rate	Carrying Value December 31, 2023	Carrying Value December 31, 2022
CEBA	2020-05-19	2024-03-28	0%	\$ 40,000	\$ 37,383
CEBA	2021-04-23	2024-03-28	0%	40,000	37,383
Vehicle loan	2019-08-30	2024-09-11	6.99%	5,058	11,805
Total				\$ 85,058	\$ 86,571

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Draganfly Inc.
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16. LOANS PAYABLE (CONT'D)

On May 19, 2020, Dronelogics received a \$40,000 CEBA loan. This loan is currently interest-free and 25% of the loan, up to \$10,000, is forgivable if the loan is repaid on or before January 18, 2024. If the loan is not repaid by that date, the loan can be converted to a three-year term loan at an interest rate of 5%. On December 4, 2020, the Government of Canada allowed for an expansion of the CEBA loan by \$20,000, of which, an additional \$10,000 is forgivable if the entire loan is repaid on or before January 18, 2024. The repayment date was extended by the Government of Canada so the amount is now due March 28, 2024.

On April 23, 2021, Draganfly Innovations Inc. received a \$60,000 CEBA loan. This loan is currently interest free and up to \$20,000 is forgivable if the loan is repaid on or before January 18, 2024. The repayment date was extended by the Government of Canada so the amount is now due March 28, 2024.

The CEBA loans are unsecured, and the vehicle loan is secured by the vehicle.

17. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended December 31, 2023,

- The Company issued 1,508,255 common shares for the vesting of restricted share units.
- The Company issued 8,000,000 common shares in a financing for \$10,856,166 with share issuance costs of \$1,953,032 for net proceeds of \$8,903,134.
- The Company issued 650,729 common shares in an ATM (“At – the - market”) financing for \$1,748,946 with share issuance costs of \$222,136 for net proceeds of \$1,526,810.
- The Company issued 4,800,000 common shares in a financing for proceeds of \$4,858,995 with share issuance costs of \$889,623 for net proceeds of \$3,969,372. Of the total share issuance costs \$793,979 were expensed in other income (expense).

During the year ended December 31, 2022,

- The Company issued 16,538 common shares for the exercise of warrants for \$87,170.
- The Company issued 12,500 common shares for the exercise of stock options for \$26,875.
- The Company issued 1,072,595 common shares for the vesting of restricted share units.

Stock Options

The Company has adopted an incentive share compensation plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees, and technical consultants to the Company, non-transferable stock options to purchase common shares. The total number of common shares reserved and available for grant and issuance pursuant to this plan shall not exceed 20% (in the aggregate) of the issued and outstanding common shares from time to time. The number of options awarded and underlying vesting conditions are determined by the Board of Directors in its discretion.

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Draganfly Inc.
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17. SHARE CAPITAL (CONT'D)

As at December 31, 2023, the Company had the following options outstanding and exercisable:

<u>Grant Date</u>	<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Remaining Contractual Life (years)</u>	<u>Number of Options Outstanding</u>	<u>Number of Options Exercisable</u>
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October 30, 2019	October 30, 2029	\$	2.50	5.84	278,332	278,332
November 19, 2019	November 19, 2029	\$	2.50	5.89	50,000	50,000
April 30, 2020	April 30, 2030	\$	2.50	6.33	85,000	85,000
April 30, 2020	April 30, 2030	\$	3.85	6.33	110,000	110,000
July 3, 2020	July 3, 2025	\$	3.20	1.51	100,000	100,000
November 24, 2020	November 24, 2030	\$	2.50	6.90	32,000	32,000
February 2, 2021	February 2, 2031	\$	13.20	7.10	30,000	30,000
March 8, 2021	March 8, 2026	\$	13.90	2.19	10,000	10,000
April 27, 2021	April 27, 2031	\$	10.15	7.33	146,000	97,326
September 9, 2021	September 9, 2026	\$	4.84	2.69	25,826	17,217
November 9, 2023	November 9, 2033	\$	0.626	9.87	30,000	10,000
					897,158	819,875

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2021	1,035,991	\$ 4.60
Exercised	(12,500)	2.15
Forfeited	(146,334)	4.77
Outstanding, December 31, 2022	877,157	\$ 4.60
Forfeited	(9,999)	3.77
Issued	30,000	0.63
Outstanding, December 31, 2023	897,158	\$ 4.48

During the year ended December 31, 2023,

- The Company granted 30,000 options to an advisor to the board. Each option is exercisable at \$0.626 per share for 10 years.

No options were granted by the Company for the year ended December 31, 2022

During the year ended December 31, 2023, the Company recorded \$151,174 (2022- \$502,837) in stock-based compensation in relation to the vesting of stock options. The fair values of stock options granted were estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Year ended December 31,	December 31, 2023	December 31, 2022
Risk free interest rate	4.58%	-
Expected volatility	115.1%	-
Expected life	10	-
Expected dividend yield	0%	-
Exercise price	\$ 0.63	\$ -

17. SHARE CAPITAL (CONT'D)

Restricted Share Units

The Company has adopted an incentive share compensation plan, which provides that the Board of Directors of the Company in its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, restricted stock units (RSUs). RSUs will have a 3-year vesting period following the award date. The total number of common shares reserved and available for grant and issuance pursuant to this plan, and the total number of Restricted Share Units that may be awarded pursuant to this plan, shall not exceed 20% (in the aggregate) of the issued and outstanding common shares from time to time.

As at December 31, 2023, the Company had the following RSUs outstanding:

	<u>Number of RSU's</u>
Outstanding, December 31, 2021	514,832
Vested	(1,072,595)
Issued	1,820,972
Forfeited	(64,334)
Outstanding, December 31, 2022	1,198,875
Vested	(1,508,255)
Issued	1,685,316
Forfeited	(262,969)
Outstanding, December 31, 2023	1,112,967

During the year ended December 31, 2023, 1,508,255 RSU's fully vested according to the terms and the Company granted 1,687,014 RSUs to employees and consultants of the Company with each RSU exercisable into one common share of the Company upon the vesting conditions being met for a period of eighteen months from the grant date. In addition, 264,668 RSU's were forfeited by employees who have left the Company.

During the year ended December 31, 2022, 1,072,595 RSU's fully vested according to the terms and the Company granted 1,820,972 RSUs to employees and consultants of the Company with each RSU exercisable into one common share of the Company upon the vesting conditions being met for a period of eighteen months from the grant date. In addition, 64,334 RSU's were forfeited by employees who have left the Company.

During the year ended December 31, 2023, the Company recorded share-based payment expense of \$1,866,490 (2022: \$2,808,187) for RSU's, based on the fair values of RSU's granted which are calculated using the closing price of the Company's stock on the day prior to grant.

Warrants

During the year ended December 31, 2023, the Company issued 1,600,000 warrants for a purchase price of \$0.5499USD with an exercise price of \$0.0001USD per unit. The Company also issued 6,400,000 warrants at an exercise price \$0.6123USD. Being in a currency that is not the Company's functional currency these warrants are required to be recorded as a financial liability. As a financial liability, the portion of the warrants related to the future exercise price will be revalued at every reporting period to fair market value with the change in fair value being recorded in profit or loss. All of the above warrants have a 5 year term, expiring October 30, 2028 and vest immediately. 320,000 underwriter warrants were issued as part of the transaction with an exercise price of \$0.6875USD and a term of 3 years. These warrants were treated as share issue costs.

To reach a fair value of the USD Warrants, a Black Scholes calculation is used, calculated in USD as the Company also trades on the Nasdaq. The Black Scholes value per USD Warrant is then multiplied by the number of outstanding warrants and then multiplied by the foreign exchange rate at the end of the period. At the date of issue the warrants were valued with a risk free rate of 4.8%, volatility of 115.35%, expected life of 5 years and an expected dividend

yield rate of 0%. The broker warrants were valued with a risk free rate of 4.87%, volatility of 138.83%, expected life of 3 years and an expected dividend yield of 0%.

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17. SHARE CAPITAL (CONT'D)

Warrant Derivative Liability

Balance at December 31, 2021	\$	4,865,772
Change in fair value of warrants outstanding		(4,865,772)
Balance at December 31, 2022	\$	-
Warrants issued		3,985,015
Change in fair value of warrants outstanding		211,110
Balance at December 31, 2023	\$	4,196,125

Derivative liability balance at	December 31, 2023	December 31, 2022
Warrants	\$ 4,196,125	\$ -
Contingent consideration	-	57,314
Ending balance	\$ 4,196,125	\$ 57,314

The contingent liability is related to an acquisition on March 22, 2021, whereby 1,200,000 warrants were issued and 900,000 were held in escrow and classified as a contingent liability that were to be released upon completion of certain milestones. The milestones were related to the recognition of revenue on the related acquisition in range of \$2,000,000 to \$6,000,000 which was not met. The warrants expired on March 25, 2023.

Details of these warrants and their fair values are as follows:

Issue Date	Exercise Price	Number of Warrants Outstanding at December 31, 2023	Fair Value at December 31, 2023	Number of Warrants Outstanding at December 31, 2022	Fair Value at December 31, 2022
February 5, 2021 (1)	US\$ 3.55	-	\$ -	1,319,675	\$ -
March 5, 2021 (2)	US\$ 3.55	-	-	5,142,324	-
October 30, 2023 (3)	US\$ 0.6123	6,400,000	3,180,543	-	-
October 30, 2023 (4)	US\$ 0.0001	1,600,000	1,015,582	-	-
		8,000,000	\$4,196,125	6,461,999	\$ -

- 1) The warrants expired on February 5, 2023.
- 2) The warrants expired on March 5, 2023.
- 3) The warrants expire October 30, 2028.
- 4) The warrants have no expiry date.

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17. SHARE CAPITAL (CONT'D)

The fair values of these warrants were estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Risk free interest rate	3.84%	4.07%
Expected volatility	113.78%	91.66%-93.48%
Expected life	4.8 years	0.10-0.18 years
Expected dividend yield	<u>0%</u>	<u>0%</u>

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, December 31, 2021	8,414,819	\$ 4.99
Exercised	(16,538)	4.51
Issued	(481,484)	4.61
Outstanding, December 31, 2022	7,916,797	\$ 5.08
Issued	8,320,000	0.50
Expired	(7,661,999)	5.89
Outstanding December 31, 2023	<u>8,574,798</u>	<u>\$ 0.63</u>

As at December 31, 2023, the Company had the following warrants outstanding:

<u>Date issued</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Number of warrants outstanding</u>
July 29, 2021	July 29, 2024	US\$ 5.00	250,000
September 14, 2021	September 14, 2024	US\$ 5.00	4,798
October 30, 2023	October 30, 2026	US\$ 0.6875	320,000
October 30, 2023	October 30, 2028	US\$ 0.6123	6,400,000
October 30, 2023	No expiry date	US\$ 0.0001	1,600,000
			<u>8,574,798</u>

The weighted average remaining contractual life of warrants outstanding as of December 31, 2023, was 4.63 years (December 31, 2022 – 0.47 years).

18. SEGMENTED INFORMATION

The Company organizes its three segments based on product lines as well as a Corporate segment. The three segments are Drones, Vital (Vital Intelligence), and Corporate. The Drones segment derives its revenue from products and services related to the sale of unmanned aerial vehicles (UAV). The Vital segment derives its revenue from the sale of products that measure vitals to help detect symptoms from large groups of people from a distance. The Corporate segment includes all costs not directly associated with the Drone and Vital segments. The Company aggregates the

information for the segments by analyzing the revenue stream and allocating direct costs to that respective segment. The Corporate segment is aggregated by relying on the entity that includes corporate costs (Draganfly Inc.)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

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18. SEGMENTED INFORMATION (CONT'D)

The board of the Company relies on executive management which assesses the financial performance and position of the group and makes strategic decisions. Executive management, which has been identified as being the chief operating decision maker, consists of the chief executive officer, lead director, chief operating officer and chief financial officer.

December 31, 2023	Drones	Vital	Corporate	Total
Sales of goods	\$ 4,905,417	\$ 381,676	\$ -	\$ 5,287,093
Provision of services	1,267,749	-	-	1,267,749
Total revenue	\$ 6,173,166	\$ 381,676	\$ -	\$ 6,554,842
Segment loss	\$ 14,743,176	\$ (140,366)	\$ 8,323,731	\$ 22,926,541
Finance and other costs	(80,211)	-	(3,069)	(83,280)
Depreciation	499,530	-	11,148	510,677
Amortization	35,960	-	-	35,960
Change in fair value of derivative liability	-	-	(211,110)	(211,110)
Loss (recovery) on write-off of notes receivable	-	-	101,351	101,351
Loss on write down of inventory	331,671	-	-	331,671
Net loss for the year	\$ 15,530,126	\$ (140,366)	\$ 8,222,051	\$ 23,611,810

December 31, 2022	Drones	Vital	Corporate	Total
Sales of goods	\$ 5,388,262	\$ 162,170	\$ -	\$ 5,550,432
Provision of services	2,054,627	-	-	2,054,627
Total revenue	\$ 7,442,889	\$ 162,170	\$ -	\$ 7,605,059
Segment loss	\$ 9,929,789	\$ 602,580	\$ 12,926,884	\$ 23,459,253
Finance and other costs	(3,529)	-	(40,186)	(44,345)
Depreciation	586,185	-	-	593,277
Amortization	179,482	-	-	179,482
Impairment of goodwill and intangibles	2,166,563	4,288,351	-	6,454,914
Change in fair value of derivative liability	-	-	(5,502,688)	(5,502,688)
Loss on write-off of notes receivable	1,080,645	-	(771,260)	309,385
Loss on write down of inventory	251,754	1,724,760	-	1,976,514
Write down of deposit	-	228,572	-	228,572
Net loss for the year	\$ 14,190,889	\$ 6,844,263	\$ 6,619,212	\$ 27,654,364

December 31, 2021	Drones	Vital	Corporate	Total
Sales of goods	4,957,134	146,265	-	5,103,399

Provision of services	1,950,466	-	-	1,950,466
Total revenue	\$ 6,907,600	\$ 146,265	\$ -	\$ 7,053,865
Segment loss	\$ 7,819,739	\$ 257,656	\$ 10,498,164	\$ 18,575,560
Finance and other costs	16,272	-	(21,346)	(5,074)
Depreciation	175,098	-	-	175,098
Amortization	135,966	-	-	135,966
Impairment of goodwill and intangibles	-	4,579,763	-	4,579,763
Change in fair value of derivative liability	-	-	(8,149,812)	(8,149,812)
Loss on write-off of notes receivable	-	-	891,471	891,471
Net loss for the year	\$ 8,147,075	\$ 4,837,419	\$ 3,218,477	\$ 16,202,972

Geographic segmentation is as follows:

	For the years ended December 31,		
	2023	2022	2021
Non-current assets			
Canada	\$ 1,441,701	\$ 1,121,821	\$ 3,441,872
United States	206,616	-	5,112,659
	<u>\$ 1,648,317</u>	<u>\$ 1,121,821</u>	<u>\$ 8,554,531</u>
Revenue			
Canada	\$ 6,162,672	\$ 6,919,038	\$ 4,982,373
United States	392,170	686,021	2,071,492
	<u>\$ 6,554,842</u>	<u>\$ 7,605,059</u>	<u>\$ 7,053,865</u>

Geographic revenue is measured by aggregating sales based on the country and the entity where the sale was made.

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19. OFFICE AND MISCELLANEOUS

	For the years ended December 31,		
	2023	2022	2021
Advertising, Marketing, and Investor Relations	\$ 4,243,432	\$ 4,431,818	\$ 5,165,791
Compliance fees	193,250	152,826	432,874
Impairment of accounts receivable	216,238	-	-
Contract Work	772,003	441,798	300,975
Other	878,956	371,519	556,358
	<u>\$ 6,303,879</u>	<u>\$ 5,397,961</u>	<u>\$ 6,455,998</u>

20. RELATED PARTY TRANSACTIONS

On August 1, 2019, the Company entered in a business services agreement (the “Agreement”) with Business Instincts Group (“BIG”), a company that Cameron Chell, CEO and director has a material interest in that he previously controlled, to provide: corporate development and governance, strategic facilitation and management, general business services, office space, corporate business development video content, website redesign and management, and online visibility management at fees set out in the Agreement. For the year ended December 31, 2023, the Company incurred

fees of \$429,766 (December 31, 2022 - \$442,485) which are included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$3,780 (December 31, 2022 - \$30,804).

On October 1, 2019, the Company entered into an independent consultant agreement (“Consultant Agreement”) with 1502372 Alberta Ltd, a company controlled by Cameron Chell, CEO and director, to provide executive consulting services to the Company and all fees are set in the Consultant Agreement. For the year ended December 31, 2023, the Company incurred fees of \$592,500 (December 31, 2022 - \$566,487) included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$35,417 (December 31, 2022 - \$nil).

On July 3, 2020, the Company entered into an executive consultant agreement (“Executive Agreement”) with Scott Larson, a director of the Company, to provide executive consulting services, as President, to the Company. On May 9, 2022, Scott Larson ceased to be President of the Company and entered into an agreement to provide executive consulting services to the Company and all fees are set in the consulting agreement. For the year ended December 31, 2023, the Company incurred fees of \$215,019 (December 31, 2022 - \$383,288) included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$9,287 (December 31, 2022 - \$20,745).

Trade receivables/payables and accrued receivables/payables:

As at December 31, 2023, the Company had \$190,664 (December 31, 2022 - \$51,549) payable to related parties that was included in accounts payable. The balances outstanding are unsecured, non-interest bearing and due on demand.

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20. RELATED PARTY TRANSACTIONS (CONT'D)

Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Compensation awarded to key management for the year ended December 31, 2023 and 2022 included:

	For the years ended December 31,		
	2023	2022	2021
Director fees	\$ 600,933	\$ 522,349	\$ 370,094
Salaries	979,154	843,917	722,068
Share-based payments	1,109,232	2,106,906	2,475,949
	\$ 2,689,319	\$ 3,473,172	\$ 3,568,111

Other related party transactions

	For the years ended December 31,		
	2023	2022	2021
Management fees paid to a company controlled by CEO and director	\$ 592,500	\$ 566,487	\$ 290,225

Management fees paid to a company that the CEO holds an economic interest in	429,766	442,485	315,643
Management fees paid to a company controlled by a director	<u>215,019</u>	<u>383,288</u>	<u>205,691</u>
	<u>\$ 1,237,285</u>	<u>\$ 1,392,260</u>	<u>\$ 811,559</u>

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and receivables. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company performs credit evaluations of its customers.

Receivables

Receivables primarily consist of trade receivables, accrued receivables and taxes receivable. The Company provides credit in the normal course of business in the form of payment terms and has an established process for determining terms to offer customers to mitigate credit risk. Receivables are shown net of any provision made for impairment of the receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in receivables.

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21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

Expected credit loss (“ECL”) analysis is performed at each reporting date using an objective approach to measure expected credit losses. The provision amounts are based on direct management interface with the customer. The calculations reflect the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

The Company’s aging of receivables was as follows:

	December 31,	December 31, 2022
	2023	
0 – 30 days	<u>\$ 271,622</u>	<u>\$ 1,020,091</u>
31 – 60 days	109,928	116,378
61 – 90 days	64,259	343,364
91 + days	<u>203,803</u>	<u>609,132</u>

\$ 649,612 \$ 2,088,965

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's financial liabilities at December 31, 2023:

	<u>1 year</u>	<u>1 – 5 years</u>	<u>Total</u>
Trade payables and accrued liabilities	\$ 2,638,981	\$ -	\$ 2,638,981
Customer deposits	104,715	-	104,715
Deferred income	12,112	95,562	107,674
Loans payable	85,058	-	85,058
Derivative liability	4,196,125	-	4,196,125
Lease liability	429,948	497,398	927,346
	<u>\$ 7,466,939</u>	<u>\$ 592,960</u>	<u>\$ 8,059,899</u>

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

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21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

The following table summarizes the sensitivity of the fair value of the Company's risk to foreign exchange rates, with all other variables held constant. Fluctuations of 10 percent in the foreign exchange rate between US dollars and Canadian dollars could have resulted in a change impacting net loss upon consolidation as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Foreign exchange rate	\$ 530,758	\$ 969,977

Fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. The Company has established a control framework with respect to the measurement of fair values. Fair values are categorized into different levels of a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Equity securities in investee companies and warrants are measured at fair value. The financial assets and liabilities measured at fair value by hierarchy are shown in the table below. The amounts shown are based on the amounts recognized in the consolidated statements of financial position. These financial assets are measured at fair value through profit and loss.

December 31, 2023	Level 1	Level 2	Level 3	Total
Equity securities in investee companies	\$ 57,143	\$ -	\$ 132,260	\$ 189,403
Derivative liability	-	-	4,196,125	4,196,125
Total	\$ 57,413	\$ -	\$ 4,328,385	\$ 4,385,528

December 31, 2022	Level 1	Level 2	Level 3	Total
Equity securities in investee companies	\$ 57,143	\$ -	\$ 135,440	\$ 192,583
Notes receivable	-	-	169,300	169,300
Derivative liability	-	-	57,314	57,314
Total	\$ 57,143	\$ -	\$ 362,054	\$ 419,197

The following table shows the valuation techniques used in measuring Level 3 fair values for the derivative liability as well as the significant unobservable inputs used.

Type	Valuation technique	Key inputs	Inter-relationship between significant inputs and fair value measurement
Warrant derivative liability	The fair value of the warrants derivative liability at initial recognition and at year end has been calculated using the Black Scholes Option Pricing Model	Key observable inputs <ul style="list-style-type: none"> • Share price • Risk free interest rate • Dividend yield Key unobservable inputs <ul style="list-style-type: none"> • Expected volatility 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • The price was higher (lower) • The risk-free rate was higher (lower) • The dividend yield was lower (higher) • The expected volatility was higher (lower)

For the fair value of the derivative liability, reasonable possible changes to the expected volatility, the most significant unobservable input would have the following effects:

Unobservable Inputs	Change	Impact on comprehensive loss	
		Year ended December 31, 2023	Year ended December 31, 2022
Volatility	20%	\$ 291,149	\$ -

Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2022.

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22. INCOME TAXES

The following table reconciles the expected income taxes at the Canadian statutory income tax rates to the amounts recognized in the statements of comprehensive loss for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022	December 31, 2021
Loss before income taxes	\$ 23,611,810	\$ 27,654,364	\$ 16,202,972
Canadian statutory rates	27%	27%	27%
Expected income tax recovery	6,330,400	7,338,900	4,196,600
Impact of different foreign statutory tax rates	-	-	34,900
Non-deductible items	(509,800)	(1,214,400)	116,400
Share issue costs	773,400	1,400	887,600
Adjustments to prior years provision versus statutory tax returns	(87,600)	(742,400)	376,500
Differences between prior year provision and final tax return	(153,400)	867,500	(206,000)
Change in deferred tax asset not recognized	(6,353,000)	(6,251,000)	(5,406,000)
Income tax	\$ -	\$ -	\$ -

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2023	December 31, 2022	December 31, 2021
Deferred income tax assets (liabilities):			
Share issuance costs	\$ 995,000	\$ 568,000	\$ 728,000
Non-capital losses	20,377,000	14,602,000	7,043,000
Property and equipment	1,115,000	962,000	449,000
Capital gain reserve	-	-	74,000
Scientific Research and Experimental Development	365,000	367,000	291,000
Total deferred income tax assets	\$ 22,852,000	\$ 16,499,000	8,585,000
Deferred income tax not recognized	(22,852,000)	(16,499,000)	(8,585,000)
Net deferred tax assets	\$ -	\$ -	\$ -

The Company has non-capital loss carry forward of approximately \$67,701,122 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the years 2030 to 2043. The Company has non-capital loss carry forward of \$8,241,878 CAD (\$6,231,434 USD) which may be carried forward to apply against future year income tax for tax purposes in the United States, subject to the final determination by the tax authorities, expiring in the years 2040 to 2043.

23. SUBSEQUENT EVENTS

Warrant exercise

On February 6, 2024 1,600,000 pre-funded warrants were exercised for proceeds of \$160 USD (\$216 CAD) and an equal number of shares were issued at a value of \$578,200 USD (\$773,624 CAD).

Share issuance

On February 26, 2024, the Company announced that it completed an underwritten share placement of 11,200,000 units with each unit consisting of one common share and one warrant to purchase one common share and 2,200,000 units consisting of one pre-funded warrant to purchase one common share and one warrant to purchase one common share. Each unit was sold at a price of \$0.27 USD for gross proceeds of \$3.6 million (\$4.8 million CAD). Net proceeds of \$3.3 million USD (\$4.4 million CAD) was received after share issue costs of \$329,000 USD (\$442,000 CAD). The pre-funded warrants have an exercise price of \$0.0001 USD and were exercised on the date of issue. The remaining warrants have an exercise price of \$0.36 USD and are exercisable immediately with a term of 5 years. As part of this transaction 670,000 warrants were issued to the underwriter with an exercise price of \$0.3375 USD and will have a term of 3 years.

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Exhibit 4.4

INDEPENDENT CONSULTANT AGREEMENT AMENDING AGREEMENT

THIS AGREEMENT, effective as of April 1, 2022 (the “Effective Date”) is between:

DRAGANFLY INC.,

a company duly incorporated under the laws of the Province of British Columbia with a business address at 2108 St. George Avenue, Saskatoon, Saskatchewan S7M 0K7,

(Hereinafter referred to as the “**Company**”)

-and-

1502372 ALBERTA LTD.,

a corporation having an address at L120, 2303 – 4 Street SW, Calgary, AB T2S 2S7

(Hereinafter referred to as the “**Consultant**”)

-and-

CAMERON CHELL,

the principal of the Consultant

(Hereinafter referred to as the “**Principal**”)

(collectively, the “**Parties**”)

WHEREAS:

- A. The Parties entered into an Independent Consultant Agreement dated October 1, 2019 and subsequent Independent Consultant Agreement Amending Agreements dated September 30, 2021 and March 25, 2022 (together, the "**Independent Consultant Agreement**") setting out the terms and conditions of the Consultant's engagement;
 - B. The Company wishes to continue to engage the services of the Consultant and the Principal, and the Consultant and Principal desire to continue to be engaged by the Company upon the terms and subject to the conditions of the Independent Consultant Agreement as amended by the terms of this Independent Consultant Agreement Amending Agreement (this "Amending Agreement") hereinafter set forth;
-

NOW THEREFORE in consideration of the promises and the mutual covenants and agreements contained in this Independent Consultant Agreement Amending Agreement (this "**Amending Agreement**"), including the increase to the Consultant's consulting fees and the grant of restricted share units, and in exchange for the Consultant and Principal's continued engagement, the Parties agree to amend the Independent Consultant Agreement as follows:

1. Provision 3.1 entitled "Consideration for Services" in the Independent Consultant Agreement will be replaced with the following:

As compensation for carrying out the Services during the term of this Agreement, the Company agrees to pay to the Consultant a consulting fee in the amount of CAD \$400,000 per year for the remainder of this Agreement or until any change is mutually agreed upon. All fees will be paid on a monthly basis upon submission of an invoice.

2. Provision 3.2 entitled "Consideration for Services" will be added into the Independent Consultant Agreement as follows:

As further compensation for carrying out the Services during the term of this Agreement, the Consultant will be eligible to receive an annual success fee (the "**Success Fee**") as determined by the Company in its sole discretion. The Success Fee, if any, for a given year: (i) will be determined following the completion of the Company's financial year each year, based on performance metrics to be determined by the Company's compensation committee in its sole discretion; (ii) will be paid following the completion of such year; and (iii) is not earned or accrued until and unless the Consultant is engaged on the last day of the period for which the Success Fee is payable. The Consultant understands and agrees that payment of a Success Fee should not be considered to be expected compensation and the payment of a Success Fee in any one or successive years shall not create an entitlement to a Success Fee in any subsequent year.

Beginning in the calendar year of 2021, the Consultant's target annual Success Fee is CDN\$300,000.00, prorated to the date of this Amending Agreement for 2021.

3. Provision 3.3 entitled "Consideration for Services" will be added into the Independent Consultant Agreement as follows:

Subject to the receipt of all necessary regulatory approvals, the Company shall grant to the Consultant 40,000 restricted share units ("RSU") in Draganfly Inc., which shall vest and be governed in accordance with the Company's RSU plan.

4. All other terms and conditions of engagement set out in the Independent Consultant Agreement will remain unchanged and in effect.

5. The Consultant hereby releases the Company from any and all claims it has or may have arising in any way out of the terms of this Amending Agreement or the changes to its engagement as set out herein, specifically includes any claims under any applicable human rights, workers' compensation, employment standards, employment or labour legislation.
6. This Amending Agreement amends the Independent Consultant Agreement. This Amending Agreement and the Independent Consultant Agreement shall be read together and constitute one agreement. The Parties agree that the terms of the Amending Agreement will be effective on the Effective Date.
7. This Amending Agreement enures to the benefit of and binds the parties hereto and their respective heirs, executors, legal personal representatives, successors and permitted assigns.
8. If there is a conflict between any provision of this Amending Agreement and any provision of the Independent Consultant Agreement, the relevant provision(s) of this Amending Agreement are to prevail.
9. This Amending Agreement is governed by, and is to be construed and interpreted in accordance with the laws of British Columbia. The Parties irrevocably attorn to the jurisdiction to the Courts of the Province of British Columbia.

NOW THEREFORE in consideration of the promises and the mutual covenants and agreements contained in this Amending Agreement, including the increase in the Consultant's compensation, and in exchange for the Consultant and Principal's continued engagement, the Parties agree to amend the Independent Consultant Agreement as follows:

1. Provision 3.1 entitled "Consideration for Services" in the Independent Consultant Agreement will be replaced with the following:

As compensation for carrying out the Services during the term of this Agreement, the Company agrees to pay to the Consultant a consulting fee in the amount of CAD\$425,000.00 per year for the remainder of this Agreement or until any change is mutually agreed upon. Any such changes may be mutually agreed upon in writing, without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement. All fees will be paid on a monthly basis upon submission of an invoice.

2. Provision 3.2 entitled "Consideration for Services" in the Independent Consultant Agreement will be replaced with the following:

As further compensation for carrying out the Services during the term of this Agreement, the Consultant will be eligible to receive an annual success fee (the "**Success Fee**") as determined by the Company in its sole discretion. The Success Fee, if any, for a given year: (i) will be determined following the completion of the Company's financial year each year, based on performance metrics to be determined by the Company's compensation committee in its sole discretion; (ii) will be paid following the completion of such year; and (iii) is not earned or accrued until and unless the Consultant is engaged on the last day of the period for which the Success Fee is payable. The Consultant understands and agrees that payment of a Success Fee should not be considered to be expected compensation and the payment of a Success Fee in any one or successive years shall not create an entitlement to a Success Fee in any subsequent year.

The performance metrics and target Success Fee of the Consultant for any given year are attached hereto as Schedule "B". Schedule "B" will be reviewed from time-to-time and may be amended by the Company without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement.

3. Provision 3.3 entitled “Consideration for Services” will be added into the Independent Consultant Agreement as follows:

The Company will grant the Consultant 200,000 restricted share units of the Company (“**RSUs**”) to purchase up to 200,000 common shares of the Company. The grant of RSUs to the Consultant shall be made in accordance with the terms and conditions of the Company’s Amended and Restated Share Compensation Plan (the “**Plan**”) and applicable rules and requirements of the Canadian Securities Exchange and NASDAQ. The RSUs shall vest in accordance with the following vesting schedule:

- a) 66,666 RSUs granted on the date that is the 6-month anniversary of the Effective Date of the Independent Consultant Agreement Amending Agreement;
 - b) 66,667 RSUs granted on the date that is the 12-month anniversary of the Effective Date of the Independent Consultant Agreement Amending Agreement; and
 - c) 66,667 RSUs granted on the date that is the 18-month anniversary of the Effective Date of the Independent Consultant Agreement Amending Agreement.
4. Schedule “B” entitled “Success Fee Program” will be added into the Independent Consultant Agreement as follows:

For the calendar year of 2022, the Consultant’s target annual Success Fee is CDN\$425,000.00, based on the following milestones and achievements:

	% Bonus
Revenue of \$13 million (min revenue of \$8M)	30%
Min \$20 mill in bank on Dec 31.	20%
\$15 million in new financing	15%
Net Income as per budget	25%
Institutional Coverage x2	10%
	100%

5. All other terms and conditions of engagement set out in the Independent Consultant Agreement will remain unchanged and in effect.
6. The Consultant hereby releases the Company from any and all claims it has or may have arising in any way out of the terms of this Amending Agreement or the changes to its engagement as set out herein, which specifically includes any claims under any applicable human rights, workers’ compensation, occupational health and safety, and employment standards legislation.
7. This Amending Agreement amends the Independent Consultant Agreement. This Amending Agreement and the Independent Consultant Agreement shall be read together and constitute one agreement. The Parties agree that the terms of the Amending Agreement will be effective on the Effective Date.
8. This Amending Agreement enures to the benefit of and binds the parties hereto and their respective heirs, executors, legal personal representatives, successors and permitted assigns.
9. If there is a conflict between any provision of this Amending Agreement and any provision of the Independent Consultant Agreement, the relevant provision(s) of this Amending Agreement are to prevail.
10. This Amending Agreement is governed by, and is to be construed and interpreted in accordance with the laws of British Columbia. The Parties irrevocably attorn to the jurisdiction to the Courts of the Province of British Columbia.

[signature page follows]

TO EVIDENCE THEIR AGREEMENT the parties have executed the Amending Agreement this 1st day of April 2021:

<hr/> DRAGANFLY INC.	<hr/> <i>"/s/ Cameron Chell"</i> 1502372 ALBERTA LTD.
<i>Authorized Signatory</i> I have authority to bind the Corporation	<i>by its authorized signatory,</i> <i>Cameron Chell</i>
	<hr/> <i>"/s/ Cameron Chell"</i> CAMERON CHELL
	<i>Principal of 1502372 Alberta Ltd.</i>

Exhibit 4.5

INDEPENDENT CONSULTING AGREEMENT

THIS INDEPENDENT CONSULTING AGREEMENT (the "**AGREEMENT**") is entered into on April 1, 2022 (the "**Effective Date**")

BETWEEN:

DRAGANFLY INC.
(the "**Company**")

and -

SCOTT LARSON
(the "**Consultant**")

WHEREAS The Company is builder and supplier of quality, cutting-edge unmanned aerial vehicles and geoinformation software that serves the public safety, agriculture, industrial inspections, security, and mapping and surveying markets (the "**Business**");

AND WHEREAS The Consultant is an Consultant with relevant operational, financial and corporate development experience in the technology sector and whose skills are a material inducement for the Company to enter into this Agreement;

AND WHEREAS The Company desires to retain the Consultant as an Independent Contractor on a limited basis to provide corporate development, operational, financial assistance and to

generally assist the company in its strategic plan (the "**Services**"); and

NOW THEREFORE The Consultant agrees to provide the Services as an Independent Contractor to the Company, subject to the terms of this Agreement.

COMMENCEMENT AND TERM

1.01 Term

This Agreement shall become effective on the Effective Date and shall remain in force and effect until terminated by the parties in accordance with the terms of this Agreement. This Agreement supersedes and replaces all previous agreements between the Consultant and the Company.

ASSIGNMENT

2.01 Position

The Consultant shall provide the Services and Duties (as defined herein) as an external resource, as directed by the CEO and Board of the Company. The Consultant shall determine the manner or means by which it performs the Services and Duties for the Company.

The Consultant shall furnish, at its own expense, the equipment, supplies, tools and other materials used to perform the Services and Duties.

2.02 Duties

As set out below, Consultant shall perform the duties and tasks as directed by the CEO and as agreed to by the Consultant (the “**Duties**”). In addition, Consultant shall perform such Duties and exercise such powers as prescribed or specified by the Board of Directors, and as agreed by the Consultant. Consultant further acknowledges that such Duties and responsibilities may require frequent travel and frequent performance of work at irregular times acting reasonably.

Consultant shall support and lead the mergers and acquisitions of the Company, and support the development and execution of the Company’s long-term strategy with a view to creating shareholder value. Consultant shall, under direction of the CEO and Board of Directors, among other things:

- a) act as a key point of contact with potential merger or acquisition targets;
- b) act as a direct liaison between the Board of Directors and management of the Company;
- c) support strategic business and corporate development efforts as mutually agreed to by the Company and Consultant.

2.03 Independent Contractor Relationship

The Consultant is and shall remain at all times an independent contractor and not an employee or dependent contractor of the Company. Nothing in this Agreement shall be construed to create any association, partnership, joint venture, agency, fiduciary or employment relationship between the Consultant and the Company, for any purpose.

The Consultant shall provide the Services to the Company on a non-exclusive basis, and shall be free to provide its services to third parties during the term of this Agreement provided that the Consultant shall not provide such services in a way that is inconsistent with any of the provisions of this Agreement.

Without limiting this Section 2.03, the Consultant shall not be eligible to participate in any benefit or compensation plans offered by the Company to its employees, including, without limitation, any payments under any employment standards legislation.

The Company shall have no liability or responsibility for withholding or remitting any income, payroll, or other federal or provincial taxes, including employment insurance remittances, pension plan contributions, or employer health tax or worker's compensation insurance premiums for the Consultant. The Consultant is responsible for these withholding, remitting and registration obligations, and shall indemnify the Company from and against any order, penalty, interest, taxes or contributions that may be assessed against the Company due to the failure or delay of the Consultant to make any such withholdings, remittances or registration, or to file any information required by any law.

REMUNERATION

3.01 Fees

Commencing on the Effective Date, the Company shall pay Consultant:

- a) An hourly fee of \$350.00, plus applicable taxes (the "**Basic Fee**"), payable upon invoice. The Consultant shall submit to the Company's CEO or designate a monthly timesheet detailing the hours worked and a reasonable description of the work performed; and
- b) As further compensation for carrying out the Services during the term of this Agreement, the Consultant will be eligible to receive an annual success fee (the "**Success Fee**") as determined by the Company in its sole discretion. In connection with the Consultant's 2021 compensation, the Company shall pay the Consultant a Success Fee of US\$51,156.00 plus C\$66,150.00. The Success Fee for a given future year of service, if any:
 - (i) will be determined following the completion of the Company's financial year each year, based on performance metrics to be determined by the Company's compensation committee in its sole discretion;
 - (ii) will be paid following the completion of such year; and
 - (iii) is not earned or accrued until and unless the Consultant is engaged on the last day of the period for which the Success Fee is payable. The Consultant understands and agrees that payment of a Success Fee should not be considered to be expected compensation and the payment of a Success Fee in any one or successive years shall not create an entitlement to a Success Fee in any subsequent year.

The Basic Fee and Success Fee shall be reviewed by the Company's compensation committee following the completion of the Company's financial year each year. The performance metrics and target Success Fee of the Consultant for any given year will be reviewed from time-to-time and may be amended by the Company without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement.

The Consultant shall have an applicable sales tax registration number and shall be responsible for deducting and remitting such sales tax to the appropriate regulatory authorities.

3.02 Equity Awards

Concurrent with the execution hereof and by virtue of Consultant's position, the Company will grant the Consultant 50,000 restricted share units of the Company ("**RSUs**") to purchase up to 50,000 common shares of the Company. The grant of RSUs to the Consultant shall be made in accordance with the terms and conditions of the Company's Amended and Restated Share Compensation Plan (the "**Plan**") and applicable rules and requirements of the Canadian Securities Exchange and NASDAQ. The RSUs shall vest in accordance with the following vesting schedule:

- a) 16,666 RSUs granted on the date that is the 6-month anniversary of the Effective Date first listed above;
- b) 16,667 RSUs granted on the date that is the 12-month anniversary of the Effective Date first listed above; and
- c) 16,667 RSUs granted on the date that is the 18-month anniversary of the Effective Date first listed above.

3.03 Expense Reimbursement

The Company shall reimburse Consultant on a monthly basis for all bona-fide business expenses (including travel, accommodation, entertainment/business expenses) incurred by Consultant on behalf of the Company upon submission of written receipts or other written evidence. Any single or series of related expenses exceeding US\$5,000 and any expenses exceeding US\$5,000 in the aggregate in any month shall be subject to pre-approval by the CEO.

DUTIES OF CONSULTANT

4.01 Rules and Regulations

Consultant shall be bound by and shall faithfully observe and abide by all applicable laws and all the rules and regulations to which the Company may be subject from time to time, which are brought to Consultant's notice or of which Consultant should reasonably be aware.

4.02 Conflict of Interest

For the duration of the Consultant's engagement by the Company, the Consultant shall refrain from any situation in which Consultant's personal interests conflict, or may appear to conflict, with Consultant's duties with the Company. Consultant shall not participate in the ownership of, have any financial involvement with or work for, any business that is in competition with the Company's Business, or for any client or potential client of the Company or otherwise take steps that would benefit him personally while causing loss or damage to the Company, including reputational and/or financial loss or damage. Consultant acknowledges that if there is any doubt in this respect, Consultant shall inform the Board of Directors and obtain prior written authorization.

CONFIDENTIAL INFORMATION, INTELLECTUAL PROPERTY AND NON-SOLICITATION

5.01 Definitions

- (a) In this Agreement, unless something in the subject-matter or context is inconsistent therewith:

“**Confidential Information**” means all confidential information of the Company, including but not limited to trade secrets, customer lists and other confidential information concerning the business and affairs of the Company.

“**Intellectual Property**” means, without limitation, any domestic and foreign:

- (i) patents, inventions, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications;
- (ii) proprietary and non-public business information, including inventions, developments, trade secrets, know-how, methods, processes, designs, technology, technical data, schematics, formulae and client lists, and documentation relating to any of the foregoing;
- (iii) works of authorship, copyrights, copyright registrations and applications for copyright registration;
- (iv) designs, design registrations, design registration applications and integrated circuit topographies;
- (v) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trademark registrations, trade mark applications, trade dress and logos, and the goodwill associated with any of the foregoing;
- (vi) computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs;
- (vii) any other intellectual property and industrial property and moral rights, title and interest therein, anywhere in the world and whether registered or unregistered, registrable

or unregistrable, or protected or protectable under intellectual property laws, or (viii) any derivatives of or improvements on any of the foregoing,

which Consultant may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time Consultant is engaged by the Company, including the copyright thereon.

In the context of any action taken by Consultant, the words “**directly or indirectly**” include any action taken by Consultant for Consultant’s own benefit or the benefit of any person competing with the Company, whether taken individually or in partnership or jointly or in conjunction with any person as principal, agent, trustee, employee or shareholder (other than holding of shares listed on a Canadian or United States stock exchange that does not exceed 5% of the outstanding shares so listed).

5.02 Confidential Information

- (a) Consultant acknowledges that, by reason of Consultant’s involvement with the Company, Consultant will have access to Confidential Information. Consultant agrees that, during and after Consultant’s engagement with the Company, Consultant will not disclose to any person, except in the proper course of Consultant’s engagement with the Company, or use for Consultant’s own purposes or for any purposes other than those of the Company, any Confidential Information acquired, created or contributed to by Consultant.
- (b) Any breach of Section 5.02(a) by Consultant will result in material and irreparable harm to the Company although it may be difficult for the Company to establish the monetary value flowing from such harm. Consultant therefore agrees that the Company, in addition to being entitled to the monetary damages which flow from the breach, will be entitled to injunctive relief in a court of appropriate jurisdiction in the event of any breach by Consultant of Section 5.02(a).

5.03 Intellectual Property

Consultant hereby irrevocably and unconditionally waives all moral rights arising under the *Copyright Act* (Canada) as amended (or any successor legislation of similar effect), or similar legislation in any applicable jurisdiction, or at common law, that Consultant may have now or in the future with respect to Intellectual Property, including, without limitation, any right Consultant may have to have Consultant’s name associated with the Intellectual Property or to have Consultant’s name not associated with the Intellectual Property, any right Consultant may have to prevent the alteration, translation or destruction of the Intellectual Property, and any rights Consultant may have to control the use of the Intellectual Property in association with any product, service, cause, or institution. Consultant agrees that this waiver may be invoked by the Company, and by any of its authorized agents or assignees, in respect of any or all of the Intellectual Property. Consultant agrees that all Intellectual Property is and shall be owned by the Company and not Consultant and hereby assigns all such Intellectual Property to the extent not already owned by the Company by operation of law. Consultant further agrees to, promptly, at the request of the Company, take all such steps and execute all such assignments and other documents as the Company may reasonably require or consider helpful to effect or evidence the assignment and transfer of the Intellectual Property and to protect, obtain or maintain any patents, copyrights, trade-marks or other proprietary rights in the Intellectual Property.

5.04 Non-Solicitation

- d) Except in the proper fulfillment of the Consultant’s duties and responsibilities on behalf of the Company, during the Consultant’s engagement with the Company and for twelve (12) months after the cessation of the Consultant’s engagement with the Company for any reason, the Consultant will not, directly or indirectly:

- (i) other than for the benefit of the Company or any of its affiliates solicit any customer of the Company (who was a customer in the twelve (12) months preceding the date of the termination of the Consultant's engagement) for the purpose of selling or providing any products or services similar to those sold or provided by the Company;
- (ii) refer any customer of the Company (who was a customer in the twelve (12) months preceding the date of the termination of the Consultant's engagement) to any business that is in competition with the Company's Business;
- (iii) solicit for business of any person or entity who is, or was at any time within the 12-month period prior to termination, a customer of the Business conducted by the Company (or a potential customer with whom Consultant had Business-related dealings in the prior 12-month period prior to termination);
- (iv) otherwise attempt to interfere with or damage the business relationship between the Company, on the one hand, and any customer of the Company who was a customer in the twelve (12) months preceding the date of the termination of the Consultant's engagement;
- (v) solicit the employment or engagement of (whether as an employee, independent contractor or otherwise) any personnel of the Company (other than any personnel who at the time of the solicitation has not worked for the Company or any of its affiliates for a period of at least six (6) months); or
- (vi) otherwise attempt to interfere with or damage the business relationship between the Company, on the one hand, and any personnel of the Company, on the other hand. Notwithstanding the foregoing, the Consultant shall not be prohibited from conducting general solicitations of employment or engagement that are not targeted to personnel of the Company.

5.05 Acknowledgements

Consultant acknowledges that:

- a) the business of the Company is carried on throughout Canada and that the Company is interested in and solicits or canvasses opportunities throughout Canada;
- b) the reputation of the Company in the industry and its relationships with its customers is the result of hard work, diligence and perseverance on behalf of the Company over an extended period of time;
- c) the nature of the business of the Company is such that the on-going relationship between the Company and its customers is material and has a significant effect on the ability of the Company to continue to obtain business from its customers with respect to both long term and new contracts; and
- d) in light of the foregoing, the restrictions in this Article 5 are reasonable and valid and Consultant hereby waives all defences to the strict enforcement thereof.

5.06 Equitable Remedies

Consultant further acknowledges and agrees that: (i) the Company would suffer irreparable and ongoing damages (including a significant loss of the value and goodwill of the Business) in the event that any provision of this Article 5 (or Section 6.03) were not performed in accordance with its terms or otherwise were breached; and (ii) monetary damages, even if available, alone would not be an adequate remedy for any such non-performance or breach. Accordingly, such Consultant agrees that in the event of any breach or threatened breach of any provision of this

Article 5, or Section 6.03, the Company shall be entitled, in addition to all other rights and remedies that it may have existing in its favor at law, in equity or otherwise to seek injunctive or other equitable relief (including a temporary restraining order, a preliminary injunction and a final injunction) to prevent any such breach or threatened breach and to enforce such provisions specifically, without the necessity of posting a bond or other security or of proving actual damages. The prevailing party in any action commenced under this Section 5.06 (whether through a monetary judgment, injunctive relief or otherwise) also shall be entitled to recover reasonable legal fees and court costs incurred in connection with such action.

TERMINATION OF CONSULTING AGREEMENT

6.01 Termination of Agreement Without Notice

Either party may terminate this Agreement effective immediately for Cause, without advance notice or payment in lieu of such notice. Without restricting the generality of the foregoing, "Cause" includes: (i) Consultant's conviction of or admission to the commission of an indictable offence or Consultant's conviction of or admission to a violation of another criminal law involving the affairs of the Company; (ii) any intentional act of fraud, theft, embezzlement or other illegal conduct by Consultant involving the Company; (iii) a material breach of the provisions of this Agreement, where such breach is incapable of cure, or with respect to a material breach capable of cure, where the breaching party does not cure such breach within fifteen (15) days after receipt of written notice of such breach; (iv) willful or substantial neglect by Consultant of Consultant's Duties and responsibilities under this Agreement for a period of ten (10) business days after receiving written notice of the same; (v) Consultant's material breach of the Company's policies or procedures that is not reasonably curable in the Company's sole discretion (acting reasonably) or any other willful misconduct which causes material harm to the Company or its business reputation, including due to any adverse publicity; and/or (vi) any conduct that constitutes cause at common law.

6.02 Termination of Agreement With Notice

Except in the event of termination without notice as set out in Section 6.01 of this Agreement, the Company and Consultant agree that this Agreement and the engagement of the Consultant by the Company may be terminated in the following circumstances only:

- a) At any time by the Consultant, upon giving the Company sixty (60) days of advance notice in writing;
- b) At any time by the Company within four (4) months of the Effective Date, upon (i) giving the Consultant two (2) weeks of advance notice in writing, or (ii) payment to the Consultant of two (2) weeks of Basic Fees in lieu of notice (to be calculated based on the average weekly Basic Fees over the immediately preceding month);
- c) At any time by the Company following the four (4) month anniversary of the Effective Date, upon (i) giving the Consultant four (4) months of advance notice in writing, or (ii) payment to the Consultant of four (4) months of Basic Fees in lieu of notice (to be calculated based on the average monthly Basic Fees over the four (4) immediately preceding months); or
- d) At any time, by mutual written agreement.

6.03 Return of Property

Upon the termination of this Agreement for any reason, or at any other time upon the Company's written request, and as a condition of the Company paying Consultant any termination payments required hereunder, Consultant shall promptly:

- a) deliver or cause to be delivered to the Company all books, documents, effects, money, securities or other property belonging to the Company or for which the Company is liable to others, which are in the possession, charge, control or custody of Consultant; and
- b) permanently erase all of the Company's Confidential Information from the Consultant's personal electronic systems.

6.04 Expense Reimbursement

Upon termination for any reason, any expenses properly and legally incurred under this Agreement shall be promptly repaid to Consultant.

DIRECTORS AND OFFICERS

7.01 Indemnity

Subject to the provisions of the *Canada Business Corporations Act*, the Company agrees to indemnify and save Consultant harmless from and against all demands, claims, costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by Consultant in respect of any civil, criminal or administrative action or proceeding to which Consultant is made a party by reason of being or having been a director or officer of the Company or of any affiliated Company whether before or after any cessation of engagement if:

- a) Consultant acted honestly and in good faith with a view to the best interests of the Company; and
- b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, Consultant had reasonable grounds for believing that Consultant's conduct was lawful.

7.02 Insurance

If Consultant is a director or officer at the relevant time, Consultant shall be covered by comprehensive directors' and officers' liability insurance, which shall be established and maintained by the Company at its expense. The insurance policies to be maintained by the Company hereunder may contain exclusions from coverage in respect of negligence or *mala fides* acts on the part of Consultant.

CONTRACT PROVISIONS

8.01 No Breach of Obligations to Others

Consultant acknowledges and represents to the Company that in carrying out Consultant's Duties and functions for the Company, Consultant will not disclose to the Company any confidential information of any third party. Consultant acknowledges and represents to the Company that Consultant has not brought to the Company nor will Consultant use in the performance of Consultant's Duties and functions with the Company any confidential materials or property of any third party. Consultant further acknowledges and represents that Consultant is not a party to any agreement with or under any legal obligation to any third party that conflicts with any of Consultant's obligations to the Company under this Agreement.

8.02 Headings

The headings of the Articles and paragraphs herein are inserted for convenience of reference only and shall not affect the meaning or construction hereof.

8.03 Independent Advice

Consultant confirms having had the reasonable opportunity to obtain independent legal advice regarding this Agreement that Consultant is signing this Agreement freely and voluntarily with full understanding of its contents.

8.04 Governing Law

This Agreement shall be governed by the laws in force in the Province of British Columbia and the laws of Canada applicable therein.

8.05 Entire Agreement

This Agreement constitutes and expresses the whole agreement of the parties hereto with reference to any of the matters or things herein provided for or herein before discussed or mentioned with reference to Consultant's engagement, and it cancels and replaces any and all prior understandings and agreements between Consultant and the Company. All promises, representations, collateral agreements and understandings not expressly incorporated in this Agreement are hereby superseded by the within Agreement.

8.06 Severability

If any provision contained herein is determined to be void or unenforceable in whole or in part, it shall not be deemed to affect or impair the validity of any other provision herein and each such provision is deemed to be separate and distinct.

8.07 Survival

All terms and conditions under the Sections respecting the Independent Contractor Relationship, Conflict of Interest, Confidential Information, Intellectual Property, Non-Solicitation, Equitable Remedies, Termination of Consulting Agreement, and Governing Law shall survive the termination of this Agreement whether the termination is initiated by the Consultant, by the Company, on a with or without Cause basis, or by mutual agreement, or whether the termination is lawful or unlawful

8.08 Notice

Any notice required or permitted to be given under this Agreement shall be in writing and shall be properly given if personally delivered, delivered by facsimile transmission or email (with confirmation of receipt) or mailed by prepaid registered mail addressed as follows:

in the case of the Company:

Cameron Chell
Chief Executive Officer, President
Draganfly Inc.
2108 St. George Avenue,
Saskatoon, SK, S7M0K7
Canada

in the case of Consultant:

Scott Larson
[Redacted]

8.09 Amendments and Waiver

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

8.10 Successors

This Agreement and all rights of Consultant hereunder shall enure to the benefit of and be enforceable by Consultant and Consultant's personal or legal representatives, heirs, executors, administrators and successors and shall enure to the benefit of and be binding upon the Company, its successors and assigns.

8.11 Taxes and Deductions

All payments under this Agreement shall be subject to withholding of such amounts, if any, relating to tax or other deductions as the Company may reasonably determine should be withheld pursuant to any applicable law or regulation.

8.12 Currency

All dollar amounts set forth or referred to in this Agreement refer to the currency of Canada.

8.13 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

8.14 Copy of Agreement

Consultant hereby acknowledges receipt of a copy of this Agreement duly executed by the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Draganfly Inc.

"/s/ Cameron Chell"

Name: Cameron Chell

Title: Director

"/s/ Scott Larson"

Scott Larson

Exhibit 4.8

EMPLOYMENT AGREEMENT AMENDING AGREEMENT

THIS AGREEMENT, effective as of April 1, 2022 (the "Effective Date") is between:

DRAGANFLY INC.,

a company duly incorporated under the laws of the Province of British Columbia with a business address at 2108 St. George Avenue, Saskatoon, Saskatchewan S7M 0K7,

(Hereinafter referred to as the “**Company**”)

-and-

PAUL SUN,

an individual residing at [Redacted]

(Hereinafter referred to as the “**Employee**” or “**you**”)

(collectively, the “**Parties**”)

WHEREAS:

- A. The Company and the Employee entered into an Employment Agreement dated November 2020 and an Employment Agreement Amendment Agreement dated September 30, 2021 (together, the “**Employment Agreement**”) setting out the terms and conditions of the Employee’s employment;
- B. The Company wishes to continue to engage the services of the Employee and the Employee desires to continue to be employed by the Company upon the terms and subject to the conditions of the Employment Agreement as amended by the terms of this Employment Agreement Amending Agreement hereinafter set forth;

NOW THEREFORE in consideration of the promises and the mutual covenants and agreements contained in this Employment Agreement Amending Agreement (this “**Amending Agreement**”), including the increase to the Employee’s base salary, and in exchange for the Employee’s continued employment, the Parties agree to amend the Employment Agreement as follows:

1. Provision 3.1 entitled “Consideration for Services” in the Employment Agreement will be replaced with the following:

As compensation for carrying out the Services during the term of this Agreement, the Company agrees to pay the Employee a salary in the amount of CDN\$250,000.00 (the “**Annual Salary**”) payable by semi-monthly instalments. The Company will review the Annual Salary annually during the term of this Agreement and may, in its sole discretion, adjust the Annual Salary. Any such adjustments may be made without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement.

2. Provision 3.3 entitled “Consideration for Services” in the Employment Agreement will be replaced with the following:

In addition to the above Annual Salary, the Employee shall be eligible to earn a discretionary annual performance bonus (“**Performance Bonus**”). The Performance Bonus will be determined following the completion of the Company’s financial year each year, based on performance metrics to be determined by the Company’s compensation committee in its sole discretion. The Company shall pay the Employee the Performance Bonus, if any, within the thirty

(30) days following the financial year to which the Performance Bonus relates. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year. To be eligible for a Performance Bonus, the Employee must also be Actively Employed on the date of payment of any such bonus. For purposes of this Agreement, the last day that the Employee is “Actively Employed” shall be the later of: (i) the last day that the Employee actually performs their duties prior to the termination of the Employee’s employment with the Company for any reason; or (ii) the end of the minimum period of statutory notice of termination prescribed by the Ontario *Employment Standards Act, 2000* (the “**ESA**”). This is because a Performance Bonus is not earned until the payment date. For clarity, except to the extent required by the ESA: (i) the last day that the Employee is Actively Employed shall not be extended by any contractual or common law notice of termination period in respect of which the Employee receives or may receive pay in lieu of notice of termination or damages in lieu of such notice of termination; and (ii) entitlement to any Performance Bonus shall not be included in any entitlement which the Employee may have to pay in lieu or damages in lieu of notice of termination.

The performance metrics and target Performance Bonus of the Employee for any given year are attached hereto as Schedule “B”. Schedule “B” will be reviewed from time-to-time and may be amended by the Company without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement.

3. Provision 3.6 entitled “Consideration for Services” will be added into the Employment Agreement as follows:

The Company will grant the Employee 120,000 restricted share units of the Company (“**RSUs**”) to purchase up to 120,000 common shares of the Company. The grant of RSUs to the Employee shall be made in accordance with the terms and conditions of the Company’s Amended and Restated Share Compensation Plan (the “**Plan**”) and applicable rules and requirements of the Canadian Securities Exchange and NASDAQ. The RSUs shall vest in accordance with the following vesting schedule:

- a) 40,000 RSUs granted on the date that is the 6-month anniversary of the Effective Date of the Employment Agreement Amending Agreement;
- b) 40,000 RSUs granted on the date that is the 12-month anniversary of the Effective Date of the Employment Agreement Amending Agreement; and
- c) 40,000 RSUs granted on the date that is the 18-month anniversary of the Effective Date of the Employment Agreement Amending Agreement.
- d) Schedule “B” entitled “Performance Bonus Program” will be added into the Employment Agreement as follows:

For the calendar year of 2022, the Employee’s target annual Performance Bonus is CDN\$270,000.00, based on the following milestones and achievements:

% Bonus

ERP set up and operational	15%
Min US\$20 mill in bank on Dec 31.	25%
Net Income as per budget	20%
Improved SOX and internal controls	10%
Acquisition of \$5 mill rev or \$10 million in value	30%
	<hr/> 100%

To clarify, the Performance Bonus remains discretionary as solely determined and approved by the Board. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year.

4. All other terms and conditions of employment set out in the Employment Agreement will remain unchanged and in effect.
5. The Employee hereby releases the Company from any and all claims he has or may have arising in any way out of the terms of this Amending Agreement or the changes to his employment as set out herein, which specifically includes any claims under any applicable human rights, workers' compensation, occupational health and safety, and employment standards legislation including but not limited to the *Employment Standards Act, 2000*, the *Human Rights Code*, the *Workplace Safety and Insurance Act, 1997* and the *Pay Equity Act*.
6. This Amending Agreement amends the Employment Agreement. This Amending Agreement and the Employment Agreement shall be read together and constitute one agreement. The Parties agree that the terms of the Amending Agreement will be effective on the Effective Date.
7. This Amending Agreement enures to the benefit of and binds the parties hereto and their respective heirs, executors, legal personal representatives, successors and permitted assigns.
8. If there is a conflict between any provision of this Amending Agreement and any provision of the Employment Agreement, the relevant provision(s) of this Amending Agreement are to prevail.
9. This Amending Agreement is governed by, and is to be construed and interpreted in accordance with the laws of Ontario. The Parties irrevocably attorn to the jurisdiction to the Ontario Superior Court of Justice in Toronto.

[signature page follows]

TO EVIDENCE THEIR AGREEMENT the parties have executed the Amending Agreement this 1st day of April 2022:

"/s/ Cameron Chell"
DRAGANFLY INC.

"/s/ Paul Sun"
PAUL SUN

Cameron Chell
Director

THIRD EMPLOYMENT AGREEMENT AMENDMENT

THIS THIRD EMPLOYMENT AGREEMENT AMENDMENT, effective as of April 1, 2023 (the “**Effective Date**”) is between:

DRAGANFLY INC.,

a company duly incorporated under the laws of the Province of British Columbia with a business address at 2108 St. George Avenue, Saskatoon, Saskatchewan S7M 0K7,

(Hereinafter referred to as the “**Company**”)

-and-

PAUL SUN,

an individual residing at [Redacted]

(Hereinafter referred to as the “**Employee**” or “**you**”)

(Company and Employee/You are together referred to herein as the “**Parties**”)

WHEREAS:

10. The Company and the Employee entered into an Employment Agreement dated November 2020, an Employment Amendment Agreement dated September 30, 2021, and an Employment Agreement Amendment dated April 1, 2022 (Collectively, the “**Employment Agreement**”) setting out the terms and conditions of the Employee’s employment;
11. The Company wishes to continue to engage the services of the Employee and the Employee desires to continue to be employed by the Company upon the terms and subject to the conditions of the Employment Agreement as amended by the terms of this Third Amending Agreement hereinafter set forth;

NOW THEREFORE in consideration of the promises and the mutual covenants and agreements contained in this Third Amending Agreement, including the increase to the Employee’s base salary, and in exchange for the Employee’s continued employment, the Parties agree to amend the Employment Agreement as follows:

1. Provision 3.1 entitled “Consideration for Services” in the Employment Agreement will be replaced with the following:

As compensation for carrying out the Services during the term of this Agreement, the Company agrees to pay the Employee a salary in the amount of CDN\$267,000.00 (the “**Annual Salary**”) payable by bi-weekly installments.

2. Provision 3.3 entitled “Consideration for Services” in the Employment Agreement will be replaced with the following:

In addition to the above Annual Salary, the Employee shall be eligible to earn a discretionary annual performance bonus (“**Performance Bonus**”). The Performance Bonus will be determined following the completion of the

Company's financial year each year, based on performance metrics to be determined by the Company's compensation committee in its sole discretion. The Company shall pay the Employee the Performance Bonus, if any, following the approval of performance bonus by the Board of Directors during the March board meeting. . The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year. To be eligible for a Performance Bonus, the Employee must also be Actively Employed on the date of payment of any such bonus. For purposes of this Agreement, the last day that the Employee is "Actively Employed" shall be the later of: (i) the last day that the Employee actually performs their duties prior to the termination of the Employee's employment with the Company for any reason; or (ii) the end of the minimum period of statutory notice of termination prescribed by the Ontario *Employment Standards Act, 2000* (the "**ESA**"). This is because a Performance Bonus is not earned until the payment date. For clarity, except to the extent required by the ESA: (i) the last day that the Employee is Actively Employed shall not be extended by any contractual or common law notice of termination period in respect of which the Employee receives or may receive pay in lieu of notice of termination or damages in lieu of such notice of termination; and (ii) entitlement to any Performance Bonus shall not be included in any entitlement which the Employee may have to pay in lieu or damages in lieu of notice of termination.

The performance metrics and target Performance Bonus of the Employee for any given year are attached hereto as Schedule "B". Schedule "B" will be reviewed from time-to-time and may be amended by the Company without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement.

3. Provision 3.6 entitled "Consideration for Services" will be added into the Employment Agreement as follows:

The Company will grant the Employee 128,000 restricted share units of the Company ("**RSUs**") to purchase up to 128,000 common shares of the Company. The grant of RSUs to the Employee shall be made in accordance with the terms and conditions of the Company's Amended and Restated Share Compensation Plan (the "**Plan**") and applicable rules and requirements of the Canadian Securities Exchange and NASDAQ. The RSUs shall vest in accordance with the following vesting schedule:

-
- e) 42,666 RSUs granted on October 30, 2023;
 - f) 42,667 RSUs granted on September 3, 2024; and
 - g) 42,667 RSUs granted on March 20, 2025.

4. Schedule "B" entitled "Performance Bonus Program" will be added into the Employment Agreement as follows:

For the calendar year of 2023, the Employee's target annual Performance Bonus is CDN\$267,000.00, based on the following milestones and achievements:

% Bonus

Revenue of \$12 million with sliding pro-rated scale <\$10 million is 0%, \$11M is 50%, \$12M is 100%	20%
175% Payroll Efficiency Target” calculated as “Total Revenue/Wages & Salaries”; with sliding scale noted as <105% is 0, 140% is 50%	20%
ENPS of 20	10%
All filings on time	10%
Complete ERP implementation with dashboard / analysis	10%
Complete Functional Test of Internal Controls and Process	20%
I acquisition completed	10%
	100%

To clarify, the Performance Bonus remains discretionary as solely determined and approved by the Board. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year.

5. All other terms and conditions of employment set out in the Employment Agreement will remain unchanged and in effect.
6. The Employee hereby releases the Company from any and all claims he has or may have arising in any way out of the terms of this Third Amending Agreement or the changes to his employment as set out herein, which specifically includes any claims under any applicable human rights, workers’ compensation, occupational health and safety, and employment standards legislation including but not limited to the *Employment Standards Act, 2000, the Human Rights Code, the Workplace Safety and Insurance Act, 1997* and the *Pay Equity Act*.
7. This Third Amending Agreement amends the Employment Agreement. This Third Amending Agreement and the Employment Agreement shall be read together and constitute one agreement. The Parties agree that the terms of the Third Amending Agreement will be effective on the Effective Date.
8. This Third Amending Agreement enures to the benefit of and binds the parties hereto and their respective heirs, executors, legal personal representatives, successors and permitted assigns.
9. If there is a conflict between any provision of this Third Amending Agreement and any provision of the Employment Agreement, the relevant provision(s) of this Third Amending Agreement are to prevail.
10. This Third Amending Agreement is governed by and is to be construed and interpreted in accordance with the laws of Ontario. The Parties irrevocably attorn to the jurisdiction to the Ontario Superior Court of Justice in Toronto.

[signature page follows]

TO EVIDENCE THEIR AGREEMENT the parties have executed the Third Amending Agreement this _____ day of _____ 2023

“/s/ Cameron Chell”

DRAGANFLY INC.

“/s/ Paul Sun”

PAUL SUN

Authorized Signatory
 I have authority to bind the Corporation

EMPLOYMENT AGREEMENT AMENDING AGREEMENT

THIS AGREEMENT, effective as of April 1, 2022 (the “Effective Date”) is between:

DRAGANFLY INNOVATIONS INC.,

a company duly incorporated under the laws of the Province of British Columbia with a business address at 2108 St. George Avenue, Saskatoon, Saskatchewan S7M 0K7,

(Hereinafter referred to as the “**Company**”)

-and-

PAUL MULLEN,

an individual residing at [Redacted]

(Hereinafter referred to as the “**Employee**” or “**you**”)

(collectively, the “**Parties**”)

WHEREAS:

- A. The Company and the Employee entered into an Employment Agreement dated April 12, 2021 and an Employment Agreement Amendment Agreement dated November 1, 2021 (together, the “**Employment Agreement**”) setting out the terms and conditions of the Employee’s employment;
- B. The Company wishes to continue to engage the services of the Employee and the Employee desires to continue to be employed by the Company upon the terms and subject to the conditions of the Employment Agreement as amended by the terms of this Employment Agreement Amending Agreement hereinafter set forth;

NOW THEREFORE in consideration of the promises and the mutual covenants and agreements contained in this Employment Agreement Amending Agreement (this “**Amending Agreement**”), including the increase to the Employee’s base salary, and in exchange for the Employee’s continued employment, the Parties agree to amend the Employment Agreement as follows:

- 1. Provision 3.1 in the Employment Agreement is replaced with the following:

As compensation for carrying out the Services during the term of this Agreement, the Company agrees to pay the Employee a salary in the amount of CDN\$210,000.00 (the “**Annual Salary**”) payable by semi-monthly instalments. The Company will review the Annual Salary annually during the term of this Agreement and may, in its sole discretion, adjust the Annual Salary. Any such

adjustments may be made without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement.

2. Provision 3.2 in the Employment Agreement is replaced with the following:

In addition to the above Annual Salary, the Employee shall be eligible to earn a discretionary annual performance bonus (“**Performance Bonus**”). The Performance Bonus will be determined following the completion of the Company’s financial year each year, based on performance metrics to be determined by the Company’s compensation committee in its sole discretion. The Company shall pay the Employee the Performance Bonus, if any, within the thirty (30) days following the financial year to which the Performance Bonus relates. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year. To be eligible for a Performance Bonus, the Employee must also be Actively Employed on the date of payment of any such bonus. For purposes of this Agreement, the last day that the Employee is “Actively Employed” shall be the later of: (i) the last day that the Employee actually performs their duties prior to the termination of the Employee’s employment with the Company for any reason; or (ii) the end of the minimum period of statutory notice of termination prescribed by the Ontario *Employment Standards Act, 2000* (the “**ESA**”). This is because a Performance Bonus is not earned until the payment date. For clarity, except to the extent required by the ESA: (i) the last day that the Employee is Actively Employed shall not be extended by any contractual or common law notice of termination period in respect of which the Employee receives or may receive pay in lieu of notice of termination or damages in lieu of such notice of termination; and (ii) entitlement to any Performance Bonus shall not be included in any entitlement which the Employee may have to pay in lieu or damages in lieu of notice of termination.

The performance metrics and target Performance Bonus of the Employee for any given year are attached hereto as Schedule “B”. Schedule “B” will be reviewed from time-to-time and may be amended by the Company without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement.

The Employee shall be entitled to participate in the Company’s benefit programs as may be amended from time to time (the “**Benefits**”). All Benefits are subject to the terms and conditions of the applicable policies. The Employee agrees that the Company may substitute or modify the Benefits or their terms and conditions without notice.

3. Provision 3.4 will be added into the Employment Agreement as follows:

The Company will grant the Employee 120,000 restricted share units of the Company (“**RSUs**”) to purchase up to 120,000 common shares of the Company. The grant of RSUs to the Employee shall be made in accordance with the terms and conditions of the Company’s Amended and Restated Share Compensation Plan (the “**Plan**”) and applicable rules and requirements of the Canadian Securities Exchange and NASDAQ. The RSUs shall vest in accordance with the following vesting schedule:

- a) 40,000 RSUs granted on the date that is the 6-month anniversary of the Effective Date of the Employment Agreement Amending Agreement;
 - b) 40,000 RSUs granted on the date that is the 12-month anniversary of the Effective Date of the Employment Agreement Amending Agreement; and
 - c) 40,000 RSUs granted on the date that is the 18-month anniversary of the Effective Date of the Employment Agreement Amending Agreement.
4. Schedule “B” entitled “Performance Bonus Program” will be added into the Employment Agreement as follows:

For the calendar year of 2022, the Employee’s target annual Performance Bonus is CDN\$210,000.00, based on the following milestones and achievements:

	% Bonus
Revenue of \$13 million (min revenue of \$8M)	20%
US office established and staffed	20%
\$500k revenue from new product or international	25%
Company-wide aligned and integrated	15%
Net Income as per budget	20%
	100%

To clarify, the Performance Bonus remains discretionary as solely determined and approved by the Board. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year.

- 5. All other terms and conditions of employment set out in the Employment Agreement will remain unchanged and in effect.
- 6. The Employee hereby releases the Company from any and all claims he has or may have arising in any way out of the terms of this Amending Agreement or the changes to his employment as set out herein, which specifically includes any claims under any applicable human rights, workers’ compensation, occupational health and safety, and employment standards legislation including but not limited to the *Employment Standards Act*, *the Human Rights Code* and *the Workers’ Compensation Act*.
- 7. This Amending Agreement amends the Employment Agreement. This Amending Agreement and the Employment Agreement shall be read together and constitute one agreement. The Parties agree that the terms of the Amending Agreement will be effective on the Effective Date.
- 8. This Amending Agreement enures to the benefit of and binds the parties hereto and their respective heirs, executors, legal personal representatives, successors and permitted assigns.
- 9. If there is a conflict between any provision of this Amending Agreement and any provision of the Employment Agreement, the relevant provision(s) of this Amending Agreement are to prevail.
- 10. This Amending Agreement is governed by, and is to be construed and interpreted in accordance with the laws of British Columbia and the laws of Canada applicable therein. The Parties irrevocably attorn to the

jurisdiction of the courts of the Province of British Columbia in relation to enforcement of this Amending Agreement.

TO EVIDENCE THEIR AGREEMENT the parties have executed the Amending Agreement this 1st day of April 2022:

“/s/ Paul Mullen”

Paul Mullen
(Employee Signature)

By:
DRAGANFLY INNOVATIONS INC.

“/s/ Cameron Chell”

Cameron Chell
Director

Exhibit 4.11

EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is dated as of **April 12th, 2021** the “**Effective Date**”).

BETWEEN:

DRAGANFLY INNOVATIONS INC., a company duly incorporated under the laws of the Province of British Columbia with a business address at 2108 St. George Avenue, Saskatoon, Saskatchewan S7M 0K7

(“**Company**”)

AND:

PAUL MULLEN, [Redacted]

(the “**Employee**”)

WHEREAS the Company carries on the worldwide business of manufacturing search and navigation equipment within the commercial UAV space;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Employee covenant and agree as follows:

1. SERVICES TO BE PROVIDED

1.1 Commencing on the Effective Date, the Employee shall provide executive services to the Company and, in this regard, the Employee shall hold the position of **Vice President, Telehealth** at the Company. Furthermore,

commencing on the Effective Date the Employee shall provide such services to the Company as are described in Schedule "A" to this Agreement (the "**Services**"). The Employee shall also provide any other services not specifically mentioned in Schedule "A", but which, by reason of the Employee's capability, the Employee knows or ought to know are necessary to ensure that the best interests of the Company are maintained.

1.2 The Employee shall perform the Services to the level of competence and skill one would reasonably expect from an Employee with the skills and experience similar to that of the Employee. The Employee shall devote sufficient working time, attention and ability in a timely manner to the Business of the Company (as hereinafter defined), and to any associated company, as is reasonably necessary for the proper performance of the Services pursuant to this Agreement.

1.3 The Employee will faithfully, honestly and diligently serve the Employee, use its best efforts to promote the best interests of the Company and co-operate with the Company, and utilize maximum professional skill and care to ensure that the Services are rendered to the satisfaction of the Company.

1.4 The Employee will comply with all applicable rules, laws and regulations, and all applicable Company policies (to the extent they have been provided to the Employee by the Company), having application to the carrying out and performance of its obligations under this Agreement.

1.5 At all times while on the Company's premises or representing the Company in any other location in connection with the provision of the Services, the Employee will observe the Company's rules and regulations with respect to conduct, health, safety and protection of persons and property.

2. LOCATION AND PERFORMANCE OF WORK

2.1 The Employee shall work from either their own residence or at any other Company site as long as the location is in the Lower Mainland, BC. The Employee shall also be expected to regularly travel to, and perform the duties at, such other locations as may be determined by Company from time to time. The Employee warrants and represents that the Employee shall maintain a valid passport and that the Employee is not disqualified, to the Employee's knowledge, from receiving permission to enter the U.S., the European Union, China or any other country or region of the world as a business visitor.

3. CONSIDERATION FOR SERVICES

3.1 As compensation for carrying out the Services during the term of this Agreement, the Company agrees to pay the Employee a salary in the amount of CDN\$130,000 (the "**Annual Salary**") payable by semi-monthly instalments. The Company will review the Annual Salary annually during the term of this Agreement and may, in its sole discretion, adjust the Annual Salary.

3.2 In addition to the above Annual Salary, the Employee shall be eligible to earn a discretionary annual performance bonus of up to 50% of the Annual Salary ("**Performance Bonus**"), pursuant to the terms and conditions that to be determined and approved by the CEO. The Company shall pay the Employee the Performance Bonus within the thirty (30) days following the Employee's completion of each Year, beginning from the Effective Date. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year. Further, the Employee shall be eligible to earn a Performance Bonus on a pro-rated basis, and the Employee shall be entitled to receive a pro rata portion of the Performance Bonus for any period of employment predating the payment of the Performance Bonus. Without limiting the generality of the foregoing, a Performance Bonus shall only continue to vest, accrue or be payable up to the date designated by the Company as the effective date on which the period of employment ends.

The Employee shall be entitled to participate in the Company's benefit programs as may be amended from time to time (the "**Benefits**"). All Benefits are subject to the terms and conditions of the applicable policies. The Employee agrees that the Company may substitute or modify the Benefits or their terms and conditions without notice.

3.3 Upon Board approval, the Employee will receive 50,000 Restricted Share Unit's of Draganfly shares, along with 50,000 Options, both of which will be subject to the terms and conditions of the the Companys' Employee Stock Option Plan.

For greater clarity, the Compensation will be:

- Annual Salary of \$130,000
 - Annual Bonus of up to 50% of Annual Salary
 - 50,000 Restricted Share Units ofDFLY
 - 50,000 Options DFLY
-

4. VACATION

4.1 The Employee shall be entitled to take vacation during each calendar year at such time or times as shall be agreed between the Employee and the Company, in the amount of four (4) weeks, pro-rated for part years. The Employee shall be entitled to carry over vacation entitlement from one (1) year to the next without written approval of the Company, without any excess being forfeited subject to any applicable statutory minimums being honoured.

5. EXPENSES

5.1 The Employee shall be reimbursed by the Company for all out-of-pocket expenses actually, necessarily and properly incurred by the Employee in the discharge of duties for the Company. The Employee agrees that such reimbursements shall be due only after the Employee has rendered an itemized expense account, together with receipts where applicable, showing all monies actually expended on behalf of the Company and such other information as may be required and requested by the Company.

6. STATUTORY DEDUCTIONS AND TAXES

6.1 The Company shall be entitled to withhold from any compensation, benefits or amounts payable under this Agreement all applicable federal or provincial taxes and other statutory deductions as may be required from time to time pursuant to any law or governmental regulation or ruling.

7. TERM AND TERMINATION

7.1 This Agreement will commence on the Effective Date and will continue until terminated in accordance with the provisions of this Agreement ("**Term**").

7.2 The Employee may resign employment by giving the Company thirty (30) days' written notice, in which event the Employee shall not be entitled to any severance payment but shall be entitled to receive all Annual Salary earned to the date of cessation of employment, all earned but unpaid bonus payment, any outstanding earned but untaken vacation pay and reimbursement of any final expenses (collectively, "**Final Wages**"). The Company may, at its option, terminate the Employee's employment prior to the end of such resignation notice period, in which case, the Company shall only be liable to pay the Employee his Annual Salary on regular paydays through to the end of the resignation period, to pay all earned but unpaid bonus payment, to pay out any outstanding earned but untaken vacation pay, to reimburse any final expenses and to continue Benefits other than disability and other coverages which cannot be extended to former employees over such period.

7.3 At any time, the Company may terminate the employment of the Employee without just cause by notice in writing stating the last day of employment (the “**Termination Date**”), in which case the Company shall be obligated to provide the Employee with the compensation set out below (the “**Severance**”). The unconditional lump sum portions of the Severance shall be payable within fourteen (14) business days following the Termination Date. The Severance shall consist of the following:

- a) the Final Wages;
 - b) An additional lump sum payment equal to three (3) months salary (the “**Severance Period**”); and
 - c) the Company shall continue at its cost the Benefits then in effect for the Employee, other than disability insurance and other coverages which cannot be extended to former employees, until the earlier of the end of the Severance Period or the Employee obtaining alternate coverage (of which prompt written notice must be given to the Company).
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It is intended that the Severance exceeds the minimum requirements of the *Employment Standards Act* (British Columbia), as amended. To the extent that the Severance falls below a minimum requirement of this statute, or its regulations, as may be amended from time to time, then the Company shall be required to pay an amount to the Employee that meets, but does not exceed, such minimum requirement, in lieu of the Severance.

7.4 At any time, the Company may terminate the engagement of the Employee and this Agreement for cause. In such event, the Employee shall not be entitled to any compensation or advance notice, but shall be entitled to receive Final Wages. For purposes of this Agreement, “cause” includes but is not limited to: (i) the Employee commits a crime involving dishonesty, breach of trust, or physical harm to any person; (ii) the Employee willfully engages in conduct that is in bad faith and injurious to the Company, including but not limited to, misappropriation or disclosure of trade secrets or any other kind of Company assets including intellectual property or Confidential Information, dishonesty, fraud, embezzlement, diverting or misusing Company resources for Employee’s own or a third party’s benefit; (iii) the Employee commits a material breach of this Agreement or known Company policy, including policy against bullying, sexual harassment or racial discrimination, which breach is not cured within twenty (20) days after written notice to Employee from the Company; (iv) the Employee willfully refuses to implement or follow a lawful policy or directive of the Company, which breach is not cured within twenty (20) days after written notice to Employee from the Company; (v) the Employee has demonstrated a clear inability to satisfactorily perform the duties of the position despite an opportunity to improve his performance; or (vi) any other conduct that constitutes cause for termination of employment under the common law.

8. CHANGE OF CONTROL

8.1 “**Change of Control**” means:

- a) the acquisition, beneficially, directly or indirectly, by any person or group of persons acting jointly or in concert, within the meaning of National Instrument 62104, Takeover Bids and Issuer Bids, or any successor instrument thereto, of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in concert, totals for the first time more than 50% of the outstanding common shares of the Company;
- b) during any period of not more than six (6) consecutive months, the removal, by extraordinary resolution of the shareholders of the Company, of more than fifty one (51%) percent of the incumbent directors on the Company’s Board at the beginning of the period;
- c) the consummation of a sale of all or substantially all of the assets of the Company; or

- d) the consummation of a reorganization, plan of arrangement, merger or other transaction which has substantially the same effect as to (a) to (c) above.

If at any time during the term of this Agreement there is a Change of Control, and within twelve (12) months of such Change of Control there is a termination by the Company without cause or termination by the Employee due to the following (“**Good Reason**”):

- a) the failure of the Company to pay any amount due to the Employee hereunder, which failure persists for fifteen (15) days after the Company receives the Employee’s notice of failure;
- b) any unilateral material reduction in the Employee’s title or a material reduction in his duties or responsibilities;

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- c) any unilateral material adverse change in the Employee’s Annual Salary, or

- d) the Company’s material breach of this Agreement, which breach has not been cured by the Company within fifteen (15) days after receipt of notice from the Employee specifying, in reasonable detail, the nature of the breach or failure,

the Employee shall then be entitled to receive from the Company only a lump sum payment equal to twelve (12) months of Annual Salary and average Performance Bonus. The Employee acknowledges and agrees that the terms of this clause set out the entire obligation of the Company to give the Employee notice or pay in lieu of notice in the event that the Employee’s employment is terminated for a reason as described in this clause.

2. CONFIDENTIALITY

2.1 For the purposes of this Agreement, “**Confidential Information**” means information, whether or not originated by the Employee, that relates to the business or affairs of the Company, its affiliates, clients, sales personnel or suppliers and is confidential or proprietary to, about or created by the Company, its affiliates, clients or suppliers (whether or not reduced to writing or designated or marked as confidential), including, but not limited to, the following:

- a) any technical and non-technical information related to the Company’s business and current, future and proposed products and services of the Company, including, without limitation, Company Innovations (as defined herein), Company Property (as defined herein) and the Company’s information concerning research, development, design and product details and specifications, financial information, procurement requirements, engineering and manufacturing information, and business plans;
- b) information relating to strategies, research, communications, business plans and financial data of the Company;
- c) any information of or regarding the Company and its business which is not readily publicly available;
- d) work product resulting from or related to work or projects performed, or to be performed, for the Company or its affiliates, including, but not limited to, the methods, processes, procedures, analysis, techniques and audits used in connection therewith;
- e) any intellectual property contributed to the Company, and any other technical and business information of the Company and its affiliates which is of a confidential, trade secret and/or proprietary character;
- f) marketing and development plans, price and cost data, price and fee amounts, pricing and billing policies, quoting procedures, marketing techniques, methods of obtaining business, forecasts and forecast assumptions

and volumes, current and prospective client lists, and future plans and potential strategies of the Company that have been or are being discussed;

- g) information belonging to third parties or which is claimed by third parties to be confidential or proprietary and which the Company has agreed to keep confidential; and
 - h) any other information that becomes known to the Employee as a result of this Agreement or the services performed hereunder, including information received by the Company from others, that the Employee, acting reasonably, believes is confidential information or that the Company takes measures to protect.
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2.2 The Employee's obligations under this Section 9 do not apply to any Confidential Information that the Employee can demonstrate: (a) was in the public domain at or subsequent to the time the Confidential Information was communicated to the Employee by the Company through no fault of the Employee; (b) was rightfully in the Employee's possession free of any obligation of confidence at or subsequent to the time the Confidential Information was communicated to the Employee by the Company; or (c) was independently developed by the Employee without use of, or reference to, any Confidential Information communicated to the Employee by the Company. A disclosure of any Confidential Information by Employee in response to a valid order by a court or other governmental body or as otherwise required by law will not be considered to be a breach of this Agreement or a waiver of confidentiality for other purposes, provided, however, that the Employee provides prompt prior written notice thereof to the Company to enable the Company to seek a protective order or otherwise prevent the disclosure.

2.3 The Employee acknowledges that the Confidential Information is a valuable and unique asset of the Company and that the Confidential Information is and will remain the exclusive property of the Company. The Employee agrees to maintain securely and hold in strict confidence all Confidential Information received, acquired or developed by the Employee or disclosed to the Employee as a result of or in connection with the Services. The Employee agrees that, both during and after the termination of this Agreement, the Employee will not, directly or indirectly, divulge, communicate, use, copy or disclose or permit others to use, copy or disclose, any Confidential Information to any person, except as such disclosure may be consented to by prior written authorization of the Board.

2.4 The Employee may use the Confidential Information solely to perform the Services for the benefit of Company. The Employee shall treat all Confidential Information with the same degree of care as the Employee accords to the Employee's own confidential information, but in no case shall the Employee use less than reasonable care. The Employee shall immediately give notice to the Company of any unauthorized use or disclosure of the Confidential Information. The Employee shall assist the Company in remedying any unauthorized use or disclosure of the Confidential Information.

2.5 All Confidential Information and any materials and items (including, without limitation, software, equipment, tools, artwork, documents, drawings, papers, diskettes, tapes, models, apparatus, sketches, designs and lists) that the Company furnishes to the Employee, whether delivered to the Employee by the Company or made by the Employee in the performance of the Services, and whether or not they contain or disclose Confidential Information (collectively, the "**Company Property**"), are the sole and exclusive property of the Company or the Company's affiliates, suppliers or customers. The Employee agrees to treat the Company Property with the same degree of care as the Employee treats its own property, but in no case shall the Employee use less than reasonable care. Within five (5) days after any request by the Company, the Employee shall destroy or deliver to the Company, at the Company's option: (a) all Company Property and (b) all materials and items in the Employee's possession or control that contain or disclose any Confidential Information. The Employee will provide the Company a written certification of the Employee's compliance with the Employee's obligations under this Section 9.5.

2.6 During the term of this Agreement, the Employee will not accept work, enter into a contract or accept an obligation in breach of the Employee's obligations under Section 11 of this Agreement, or the scope of the Services to be rendered for the Company under this Agreement. The Employee warrants that, to the best of the Employee's knowledge, there is no other existing contract or duty on the Employee's part that conflicts with or is inconsistent with this Agreement.

2.7 The Employee represents and warrants that the Employee has not used and will not use, while performing the Services, any materials or documents of another company which the Employee is under a duty not to disclose. The Employee understands that, while performing the Services, the Employee shall not breach any obligation or confidence or duty the Employee may have to any current or former client or employer. The Employee represents and warrants that it will not, to the best of its knowledge and belief, use or cause to be incorporated in any of the Employee's work product, any data software, information, designs, techniques or know-how which the Employee or the Company does not have the right to use.

2.8 The Employee will indemnify and hold harmless the Company from and against any and all third party claims, suits, actions, demands and proceedings against the Company and all losses, costs, damages, expenses, fees and liabilities related thereto arising out of or related to: (a) an allegation that any item, material or other deliverable delivered by the Employee under this Agreement infringes any intellectual property rights or publicity rights of a third party; (b) an alleged breach by the Employee of any agreement between the Employee and any third party; or (c) any negligence by the Employee or any other act or omission of the Employee, including, without limitation, any breach of this Agreement by the Employee.

3. DISCLOSURE AND ASSIGNMENT OF WORK RESULTING FROM PROVISION OF SERVICES

3.1 In this Agreement, "**Innovations**" means all discoveries, designs, developments, improvements, inventions (whether or not protectable under patent laws), works of authorship, information fixed in any tangible medium of expression (whether or not protectable under copyright laws), trade secrets, know-how, ideas (whether or not protectable under trade secret laws), mask works, trademarks, service marks, trade names and trade dress. "**Company Innovations**" means Innovations that: (a) result or derive from the provision of the Services or from the Employee's knowledge or use of Confidential Information; (b) are conceived or made by the Employee (individually or in collaboration with others) in the course of provision of the Services; (c) result from or derive from the use or application of the resources of the Company, its affiliates or suppliers; (d) relate to the Business of the Company or to actual or demonstrably anticipated research and development by the Company or its affiliates; or (e) the Employee, solely or jointly with others, creates, derives, conceives, develops, makes or reduces to practice during the Term.

3.2 All Company Innovations shall be the exclusive property of the Company and the Company shall have sole discretion to deal with Company Innovations. The Employee agrees that no intellectual property rights in the Company Innovations are or shall be retained by the Employee. For greater certainty, all work done during the Term by the Employee for the Company or its affiliates is the sole property of the Company or its affiliates, as the case may be, as the first author for copyright purposes and in respect of which all copyright shall vest in the Company or the relevant affiliate, as the case may be.

3.3 The Employee agrees to maintain adequate and current records of all Company Innovations, which records shall be and remain the property of the Company. The Employee agrees to promptly disclose and describe to the Company all Company Innovations. The Employee hereby does and will irrevocably assign to the Company or the Company's designee all of the Employee's right, title and interest in and to any and all Company Innovations and all associated records.

3.4 In consideration of the benefits to be received by the Employee under the terms of this Agreement, the Employee hereby irrevocably sells, assigns and transfers, and agrees in the future to sell, assign and transfer all right, title and interest in and to the Company Innovations and intellectual property rights therein, including, without limitation, all patents, copyright, industrial design, circuit topography and trademarks, and any goodwill associated therewith in Canada, the United States and worldwide to the Company and the Employee shall hold all the benefits of the rights, title and interest mentioned above in trust for the Company prior to the assignment to the Company, save and except for any moral rights which the Employee shall waive. To the extent any of the rights, title and interest in and to Company Innovations cannot be assigned by the Employee to the Company, the Employee hereby grants to the Company an exclusive, royalty-free, transferable, irrevocable, worldwide, fully paid-up license (with rights to

sublicense through multiple tiers of sublicensees) to fully use, practice and exploit those non-assignable rights, title and interest, including, but not limited to, the right to make, use, sell, offer for sale, import, have made, and have sold, the Company Innovations. To the extent any of the rights, title and interest in and to the Company Innovations can neither be assigned nor licensed by the Employee to the Company, the Employee hereby irrevocably waives and agrees never to assert the non-assignable and non-licensable rights, title and interest against the Company, any of the Company's successors in interest, or any of the Company's customers.

3.5 The Employee agrees to perform, during and after the Term, all acts that the Company deems necessary or desirable to permit and assist the Company, at its expense, in obtaining, perfecting and enforcing the full benefits, enjoyment, rights and title throughout the world in the Company Innovations as provided to the Company under this Agreement. If the Company is unable for any reason to secure the Employee's signature to any document required to file, prosecute, register or memorialize the assignment of any rights under any Company Innovations as provided under this Agreement, the Employee hereby irrevocably designates and appoints the Company and the Company's duly authorized officers and agents as the Employee's agents and attorneys-in-fact to act for and on the Employee's behalf and instead of the Employee to take all lawfully permitted acts to further the filing, prosecution, registration, memorialization of assignment, issuance and enforcement of rights in, to and under the Company Innovations, all with the same legal force and effect as if executed by the Employee. The foregoing is deemed a power coupled with an interest and is irrevocable.

3.6 If the Employee incorporates or permits to be incorporated any Innovations relating in any way, at the time of conception, reduction to practice, creation, derivation, development or making of the Innovation, to the Company's business or actual or demonstrably anticipated research or development but which were conceived, reduced to practice, created, derived, developed or made by the Employee (solely or jointly) either unrelated to the Employee's work for Company under this Agreement or prior to the Effective Date (collectively, the "**Out-of-Scope Innovations**") into any of the Company Innovations, then the Employee hereby grants to the Company and the Company's designees a royalty-free, transferable, irrevocable, worldwide, fully paid-up license (with rights to sublicense through multiple tiers of sublicensees) to fully use, practice and exploit all patent, copyright, moral right, mask work, trade secret and other intellectual property rights relating to the Out-of-Scope Innovations. Notwithstanding the foregoing, the Employee agrees that the Employee shall not incorporate, or permit to be incorporated, any Innovations conceived, reduced to practice, created, derived, developed or made by others or any Out-of-Scope Innovations into any Company Innovations without the Company's prior written consent.

4. NON-INTERFERENCE WITH BUSINESS

4.1 In this Agreement, "Business of the Company" means the business of manufacturing search and navigation equipment within the commercial UAV space.

4.2 The Employee agrees that, during the Term, the Employee will not, on its own behalf or on behalf of or in connection with any third party, directly or indirectly, in any capacity whatsoever, including, without limitation, as an employer, employee, principal, agent, director, officer, joint venturer, partner, shareholder or other equity holder, lender or other debt holder, independent contractor, licensor, licensee, franchisor, franchisee, distributor, consultant, financier, supplier or trustee, or by or through any company, cooperative, partnership, trust, unincorporated association or otherwise, anywhere in North America:

- a) carry on, be engaged in, have any financial or other interest in or be otherwise commercially involved in any endeavour, activity or business which is in competition with the Business of the Company;
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- b) canvass or solicit the business of (or procure or assist the canvassing or soliciting of the business of) any customer, prospective customer or supplier of the Company to supply or purchase any goods or services that

are substantially the same as or in competition with goods or services supplied in the Business of the Company;

- c) accept (or procure or assist the acceptance of) any business from any customer, prospective customer, sales personnel or supplier that is substantially the same as or in competition with the Business of the Company; or
- d) supply (or procure or assist the supply of) any goods or services to any customer, prospective customer, sales personnel or supplier that are substantially the same as or in competition with the goods or services supplied in the Business of the Company.

4.3 During the Term, and for a period of twelve (12) months immediately following the termination or expiration of this Agreement, the Employee agrees not to solicit or induce any customer, prospective customer, supplier, sales personnel, employee or independent contractor involved with the Company to terminate or breach any employment, contractual or other relationship with the Company, or to otherwise discontinue or alter such third party's relationship with the Company.

4.4 During the Term, and for a period of twelve (12) months immediately following the termination or expiration of this Agreement, the Employee agrees not to, on its own behalf or on behalf of or in connection with any third party, directly or indirectly, in any capacity whatsoever, engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including without limitation the repetition or distribution of derogatory rumours, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or goodwill of the Company or any of its affiliates, officers, directors, employees, consultants or advisors.

5. FULL SATISFACTION AND RELEASE

5.1 The Employee agrees to accept the Severance, as applicable, in full satisfaction of any and all claims the Employee has or may have against the Company arising out of such termination, including: under applicable employment standards legislation and entitlement to reasonable notice under common law. The Employee agrees to sign and deliver a full and final release of the Company of all such claims arising upon such termination in return for payment of the lump sum components of the Severance in excess of employment standards minimum payments.

6. RIGHT TO DEDUCT

6.1 The Company shall have the right to offset any money properly due by the Employee to the Company against any amounts payable by the Company to the Employee under this Agreement.

7. GENERAL

7.1 This Agreement contains the entire Agreement and obligation between the parties with respect to its subject matter. No amendment to this Agreement will be valid or effective unless in writing and signed by all of the parties.

7.2 The Employee undertakes to fulfill all of its obligations under this Agreement, and not to do anything which would impair or prejudice the Employee's ability to do so. The Employee agrees that he is bound under his obligations in Sections 9, 10 and 11 of this Agreement.

7.3 The Employee's obligations under this Agreement are of a unique character that gives them particular value, and that the breach of any of these obligations will cause irreparable and continuing damage to the Company for which money damages are insufficient. The Company is entitled to injunctive relief, a decree for specific performance, and all other relief as may be proper (including money damages if appropriate), without the need to post a bond.

7.4 It is intended that this Agreement shall be in compliance with the minimum requirements of British Columbia's Employment Standards Act, as may be amended from time to time. To the extent that a term or condition of this Agreement falls below a minimum requirement of this statute or its regulations, as may be amended from time to time, such minimum requirement, and no greater requirement, shall replace the term or condition of this Agreement, and shall be incorporated into the Agreement.

7.5 The Employee acknowledges that the restrictions contained in Sections 9, 10 and 11 are, in view of the nature of the Business of the Company, reasonable and necessary to protect the legitimate interests of the Company, that the Company would not have entered into this Agreement in the absence of such restrictions and that any violation of any provision of those Sections could result in irreparable injury to the Company. The Employee agrees that, in the event it violates any of the restrictions referred to in Section 9, 10 and 11, the Company shall be entitled to such injunctive relief or other remedies at law or in equity which the Court deems fit.

7.6 The Employee expressly acknowledges that this Agreement is reasonable and valid in all respects and irrevocably waives (and irrevocably agrees not to raise) as a defence any issue of reasonableness in any proceeding to enforce any provision of this Agreement, the intention of the parties being to provide for the legitimate and reasonable protection of the interests of the Company by providing, without limitation, for the broadest scope, the longest duration and the widest territory allowable by law.

7.7 The Employee agrees to indemnify the Company from all losses, claims, actions, damages, assessments or demands (including reasonable legal fees and expenses) which result from negligent acts or omissions of the Employee in providing the Services. Notwithstanding the foregoing, the Company agrees that the Employee will be covered by the Company's Directors & Officers and Employment Practices Liability Insurance, once such insurance is obtained by the Company.

7.8 Any notice, request, demand or other communication hereunder shall be in writing and shall be delivered as follows, with notice deemed given as indicated: (a) by personal delivery, when actually delivered; (b) by overnight courier, upon written verification of receipt; (c) by facsimile or email, when sent, if sent during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day; or (d) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to the addresses set forth on the first page of this Agreement or to such other address as the parties may advise each other in writing from time to time in accordance with this Section 14.8.

7.9 The Company and the Employee will be responsible for all of their own expenses, legal and other professional fees, disbursements, and all other costs incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and all documents and instruments relating hereto. The parties agree that they have had adequate opportunity to seek independent legal advice with respect to the subject matter of this Agreement, and have either obtained such advice or consciously chosen not to do so with full knowledge of the risks associated with not obtaining such legal advice.

7.10 If any provision of this Agreement, including as to term or geographical area, is held to be illegal, invalid or unenforceable under present or future laws by any court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, enforceability or validity of any other provisions of this Agreement or of the same provision as applied to any other fact or circumstance, and such illegal, unenforceable or invalid provision shall be modified to the minimum extent necessary to make such provision legal, valid or enforceable.

7.11 Time shall be of the essence of this Agreement.

7.12 Except as specifically permitted herein, the Employee will not sell, assign or transfer any rights or interests created under this Agreement or delegate any of the Employee's duties without the prior written consent of the Company.

7.13 The headings in this Agreement are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Wherever the singular or masculine or neuter is used in this Agreement, the same shall be construed as meaning the plural or feminine or a body politic or corporate and vice versa where the context so requires.

7.14 The parties agree that this Agreement is effective as of the Effective Date, and the parties agree that there is fresh, sufficient consideration for this Agreement. The parties waive the ability to claim that: (i) this Agreement is void for lack of fresh, sufficient consideration, and (ii) this Agreement is not effective as of the Effective Date.

7.15 This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia, and the federal laws of Canada applicable therein, and each of the parties irrevocably submit to the exclusive jurisdiction of courts of competent jurisdiction in the Province of British Columbia, without reference to its conflicts of law jurisprudence, in respect of any dispute or claim arising out of this Agreement or any legal obligation between the parties. Notwithstanding the foregoing, the Company may enforce any post-employment obligation of the Employee under this Agreement in any court of competent jurisdiction anywhere in the world.

7.16 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or electronic form and each of the parties to this Agreement agree that any signature delivered by electronic transmission will be deemed to be the original signature of the delivering party.

7.17 Unless otherwise provided, all dollar amounts referred to in this Agreement are in lawful money of Canadian.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the day and year first written above.

"/s/ Cameron Chell"

"/s/ Paul Mullen"

Name:Cameron Chell
Title: Chief Executive Officer
Date:

Name:Paul Mullen
Date: March 5, 2021

Exhibit 4.12

THIRD EMPLOYMENT AGREEMENT AMENDMENT

THIS THIRD EMPLOYMENT AGREEMENT AMENDMENT (the "**Third Amending Agreement**") , effective as of **April 1, 2023** (the "**Effective Date**") is between:

DRAGANFLY INNOVATIONS INC.,

a company duly incorporated under the laws of the Province of British Columbia with a business address at 2108 St. George Avenue, Saskatoon, Saskatchewan S7M 0K7,

(Hereinafter referred to as the "**Company**")

-and-

PAUL MULLEN,

an individual residing at [Redacted]

(Hereinafter referred to as the “**Employee**” or “**you**”)

(collectively, the “**Parties**”)

WHEREAS:

11. The Company and the Employee entered into an Employment Agreement dated April 12, 2021, an Employment Agreement Amendment dated November 1, 2021, and an Employment Agreement Amendment dated April 1, 2022 (together, the “**Employment Agreement**”) setting out the terms and conditions of the Employee’s employment;
12. The Company wishes to continue to engage the services of the Employee and the Employee desires to continue to be employed by the Company upon the terms and subject to the conditions of the Employment Agreement as amended by the terms of this Third Amending Agreement hereinafter set forth;

NOW THEREFORE in consideration of the promises and the mutual covenants and agreements contained in this Third Amending Agreement, including the increase to the Employee’s base salary, and in exchange for the Employee’s continued employment, the Parties agree to amend the Employment Agreement as follows:

1. Provision 3.1 in the Employment Agreement is replaced with the following:

As compensation for carrying out the Services during the term of this Agreement, the Company agrees to pay the Employee a salary in the amount of CDN\$250,000.00 (the “**Annual Salary**”) payable by bi-weekly instalments. The Company will review the Annual Salary annually during the term of this Agreement and may, in its sole discretion, adjust the Annual Salary. Any such adjustments may be made without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement. Provision 3.2 in the Employment Agreement is replaced with the following:

In addition to the above Annual Salary, the Employee shall be eligible to earn a discretionary annual performance bonus (“**Performance Bonus**”). The Performance Bonus will be determined following the completion of the Company’s financial year each year, based on performance metrics to be determined by the Company’s compensation committee in its sole discretion. The Company shall pay the Employee the Performance Bonus, if any, following the approval of performance bonus by the Board of Directors during the March board meeting. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year. To be eligible for a Performance Bonus, the Employee must also be Actively Employed on the date of payment of any such bonus. For purposes of this Agreement, the last day that the Employee is “Actively Employed” shall be the later of: (i) the last day that the Employee actually performs their duties prior to the termination of the Employee’s employment with the Company for any reason; or (ii) the end of the minimum period of statutory notice of termination prescribed by the Ontario *Employment Standards Act, 2000* (the “**ESA**”). This is because a Performance Bonus is not earned until the payment date. For clarity, except to the extent required by the

ESA: (i) the last day that the Employee is Actively Employed shall not be extended by any contractual or common law notice of termination period in respect of which the Employee receives or may receive pay in lieu of notice of termination or damages in lieu of such notice of termination; and (ii) entitlement to any Performance Bonus shall not be included in any entitlement which the Employee may have to pay in lieu or damages in lieu of notice of termination.

The performance metrics and target Performance Bonus of the Employee for any given year are attached hereto as Schedule “B”. Schedule “B” will be reviewed from time-to-time and may be amended by the Company without requiring a written amendment to this Agreement, and without causing termination or breach of this Agreement.

The Employee shall be entitled to participate in the Company’s benefit programs as may be amended from time to time (the “**Benefits**”). All Benefits are subject to the terms and conditions of the applicable policies. The Employee agrees that the Company may substitute or modify the Benefits or their terms and conditions without notice.

2. Provision 3.4 will be added into the Employment Agreement as follows:

The Company will grant the Employee 120,000 restricted share units of the Company (“**RSUs**”) to purchase up to 120,000 common shares of the Company. The grant of RSUs to the Employee shall be made in accordance with the terms and conditions of the Company’s Amended and Restated Share Compensation Plan (the “**Plan**”) and applicable rules and requirements of the Canadian Securities Exchange and NASDAQ. The RSUs shall vest in accordance with the following vesting schedule:

d) 40,000 RSUs granted October 30, 2023;

e) 40,000 RSUs granted on September 3, 2024; and

f) 40,000 RSUs granted on March 20, 2025.

3. Schedule “B” entitled “Performance Bonus Program” will be added into the Employment Agreement as follows:

For the calendar year of 2023, the Employee’s target annual Performance Bonus is CDN\$250,000.00, based on the following milestones and achievements:

	% Bonus
Revenue of \$12 million with sliding pro-rated scale <\$10 million is 0%, \$11M is 50%, \$12M is 100%	20%
“175% Payroll Efficiency Target” calculated as “Total Revenue”/“Wages & Salaries; with sliding scale noted as <105% is 0, 140% is 50%	30%
ENPS of 20	10%
Launch and revenue from 2 new UAV platforms and 2 new integrated systems	20%
Global production capacity of 100 3 XL’s and 10 Heavy Lifts per month	20%

100%

To clarify, the Performance Bonus remains discretionary as solely determined and approved by the Board. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year.

4. All other terms and conditions of employment set out in the Employment Agreement will remain unchanged and in effect.
5. The Employee hereby releases the Company from any and all claims he has or may have arising in any way out of the terms of this Amending Agreement or the changes to his employment as set out herein, which specifically includes any claims under any applicable human rights, workers' compensation, occupational health and safety, and employment standards legislation including but not limited to the Employment Standards Act, the Human Rights Code and the Workers' Compensation Act.
6. This Amending Agreement amends the Employment Agreement. This Amending Agreement and the Employment Agreement shall be read together and constitute one agreement. The Parties agree that the terms of the Amending Agreement will be effective on the Effective Date.
7. This Amending Agreement enures to the benefit of and binds the parties hereto and their respective heirs, executors, legal personal representatives, successors and permitted assigns.
8. If there is a conflict between any provision of this Amending Agreement and any provision of the Employment Agreement, the relevant provision(s) of this Amending Agreement are to prevail.
9. This Amending Agreement is governed by, and is to be construed and interpreted in accordance with the laws of British Columbia and the laws of Canada applicable therein. The Parties irrevocably attorn to the jurisdiction of the courts of the Province of British Columbia in relation to enforcement of this Amending Agreement.

TO EVIDENCE THEIR AGREEMENT the parties have executed the Amending Agreement this _____ day of _____ 2023:

"/s/ Paul Mullen"

Paul Mullen
(Employee Signature)

By:

DRAGANFLY INNOVATIONS INC.

"/s/ Cameron Chell"

Authorized Signatory
I have authority to bind the corporation.

Exhibit 4.13

June 3, 2022

Deborah R. Greenberg

Via email: [Redacted]

Dear Deborah

Re: Employment Agreement

We are pleased to offer you full time-permanent employment with, Draganfly Innovations Inc. (the “**Company**”) on the terms set out in this letter agreement (the “**Agreement**”).

The specific terms of your employment under this Agreement are as follows:

Employment and Duties

The term of your employment shall commence no later than **July 4th 2022** and shall continue indefinitely until your employment is terminated in accordance with the terms of this Agreement.

You will be employed as the Chief Legal Officer. You shall be expected to carry out all duties and responsibilities assigned to you by management of the Company which are reasonably associated with your position.

You shall perform your work for the Company from your home in [Redacted] or at another location that may be mutually agreed to between you and the Company. It is acknowledged and agreed that you will not be required to relocate without your consent.

Base Salary

Your base salary will be **\$275,000** per annum, less deductions and withholdings required or authorized by law, payable bi-weekly. Payment from the Company will be made by direct deposit to your designated bank account.

It is acknowledged that the Company is currently undergoing a salary review process and that your salary will be subject to the review and will be adjusted, if required, in the fall of 2022, along with any other positive changes that may be made to the compensation for the executive team.

In addition to the above annual salary, you shall be eligible to earn a discretionary annual performance bonus targeted at 85% of your base salary that is in effect at the time of the payment of the bonus (the “**Performance Bonus**”).

The Performance Bonus shall be based upon the achievement of certain financial and/or operating objectives that will developed in consultation with the CEO within [30] days of your Start Date and then annually thereafter at the outset of each year, or as soon as practicable thereafter.

For greater certainty, you shall be eligible to receive a pro-rated Performance Bonus for the remainder of the 2022 calendar year, based on the agreed upon criterion.

The Company shall pay you the Performance Bonus, if any, within the thirty (30) days following the end of the calendar year period to which it applies. You understand and agree that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year.

For clarity, in the event that your employment ends due to a termination for Just Cause or a Resignation Without Good Reason, you have no entitlement to any further Performance Bonus and no entitlement to claim damages in lieu of any further Performance Bonus.

RSU Options

Upon Board approval, which is expected to occur no later than 60 days post execution hereof, you will receive a grant of Restricted Share Units (RSUs) equal to 75% of your base salary.

Thereafter, on an annual basis and in accordance with the Company's Employee Stock Option Plan will be eligible to receive further grants of RSUs equal to no less than 75% of your base salary in effect on the date of the future grants.

The RSUs will be subject to the terms and conditions of the Company's Employee Stock Option Plan. For greater certainty and notwithstanding anything to the contrary, the RSUs will vest over a period of 18 months, with one third (33%) of the RSUs vesting every 6 months' time, from the date of each grant.

Benefits and Perquisites

You will be entitled to participate in the Company's group benefit plan from the commencement of your employment. The Company reserves the right to alter or vary the terms of the Company's group benefit plan in its sole discretion, so long as you are not left with materially less valuable benefits.

The Company will pay for or reimburse the costs of your annual professional fees and legal insurance fees required to be procured in the course of your employment duties with the Company.

The Company will provide you with a reasonable annual allowance to attend legal industry conferences and/or have memberships in relevant legal industry groups, subject to approval from the Company's CEO.

You will be provided with a Laptop computer and/or Tablet to allow you to conduct the Company's business.

You will also be entitled to participate in any other form of executive benefit and/or perquisite that other executives of the Company are currently entitled to or may become eligible for or entitled to.

Vacation

You will be entitled to 5 weeks' paid vacation per calendar year which may be taken at times acceptable to and approved by the Company in advance. Vacation should be taken during the calendar year in which it is earned. A maximum of five (5) unused vacation days may be carried over into the subsequent year and must then be used by March 31st of that year. Upon the cessation of your employment, however caused and regardless of the reasons therefore, you will be paid all accrued but unpaid vacation pay.

Expenses

The Company will pay for or reimburse you for all reasonable and approved business expenses associated with the performance of your responsibilities, upon presentation of expense statements, invoices and receipts or such other supporting documentation as the Company may reasonably require.

Duties and Responsibilities

Chief Legal Officer

- Provide expert and strategic legal advice to management
- Set internal governance policies and manage the impact of external factors
- Evaluate and weigh multiple inputs and impacts of any decision or course of action
- Anticipate issues and estimate risks strategically

- Identify proactive solutions that will eliminate or mitigate risks
- Base your decision-making process on ethics and integrity
- Create associations of trust and respect with key stakeholders
- Deal with external parties (regulators, external counsel, politicians, clients)
- Attract, develop, direct, motivate and drive performance from team
- Draft agreements that minimize risks and maximize legal rights
- Assist with the preparation or review of continuous disclosure documents required by applicable securities laws
- Advise on debt and equity financing terms and structure
- Manage stock exchange reporting and compliance requirements
- Manage correspondence with regulatory agencies
- Deal with complex, significant matters that cut across legal and related areas
- Keep abreast of legislative changes

Termination of Employment

Just Cause

The Company may terminate your employment at any time for just cause, as contemplated by applicable law without payment of any compensation, except for payment of accrued wages and accrued vacation, through the date of termination of employment.

Termination Without Cause

The Company may terminate your employment Without Cause upon the provision of the following payments and terms:

- a. A payment on account of any accrued and unpaid wages, vacation pay and reimbursable expenses up to and including the date of termination;
- b. A retiring allowance payment equal to:
 - i. 4 months of your base salary in effect as of the date of termination if you are terminated within less than 6 months from your start date;
 - ii. 9 months of your base salary if you are terminated between 6 months and less than 12 months from your start date;
 - iii. 12 months of your base salary if you are terminated as of 12 months from your start date, which allowance shall increase by one additional month's pay for each full year of employment following your first 12 months of service, up to a maximum of 24 months' pay.
- c. A payment on account of your Performance Bonus pro-rated for the number of months set out in paragraph (b) above, which shall be calculated based upon the greater of (a) your targeted annual Performance Bonus; or (b) the annual average of the actual Performance Bonuses paid to you in the two-year period prior to the termination date;
- d. A payment on account of your Performance Bonus, from the outset of the calendar year of your termination to the date of your termination, which shall be calculated based upon your targeted Performance Bonus in effect at the time;

- e. A payment in the amount of 10% of the retiring allowance set out at item (b) above, in lieu of all other benefits and perquisites that you receive pursuant to this Agreement; and
- f. With respect to any unvested RSUs held by you as of the date of a termination Without Cause, and notwithstanding anything to the contrary in any other plan or agreement, your unvested RSUs will continue to vest for the period of time represented in item (b) above.

Resignation For Good Reason

If there is an event or series of events that constitute Good Reason pursuant to this section, you shall have the right to terminate this Agreement and resign from your employment with the Company. In order to resign for Good Reason, you must provide written notice to the Company's Chief Executive Officer, within 30 days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company at least 30 days from receipt of such written notice to cure such event ("**Cure Period**"), and if such event is not reasonably cured within such period, you must resign from all positions that you then hold with the Company not later than 30 days after the expiration of the Cure Period.

For the purposes of this section, "**Good Reason**" shall mean any of the following, unless you have given your express written consent thereto:

- a. **Changed Duties or Status.** The assignment to you of any duties materially inconsistent with your role as Chief Legal Officer of the Company or a material diminution in the nature or status of your responsibilities or duties;
- b. **Changed Reporting Relationships.** The material diminution of your duties, responsibilities, powers or authorities, including the assignment of any duties and responsibilities materially inconsistent with your position of Chief Legal Officer, provided that Good Reason shall not exist under this clause if such diminution of authority, duties and responsibilities is a result of the hiring of additional subordinates to assume some of your duties and responsibilities which are in fact, in the aggregate from time to time, not a material diminution of such authority, duties and responsibilities as Chief Legal Officer;

-
- c. **Reduced Compensation.** Any reduction in your base salary or any other form of material reduction to any other term of your compensation or perquisites, excluding any variations in the Performance Bonus that are based that are based upon yours or the Company's performance, but shall include the Company's failure to award or assess your Performance Bonus through an objectively fair and identifiable process
 - d. **Breach of Contract.** Any material breach by the Company of its duties or obligations to you under this Agreement that resulted or may result in material harm to you; or
 - e. **Relocation.** The Company's requiring you to be based anywhere other than in Montreal, Quebec without your consent, except for required travel on the Company's business to an extent substantially consistent with your business travel obligations in the ordinary course of business.

For greater certainty, these provisions shall prevail over any conflicting language found elsewhere in the Agreement.

In the event that you terminate your employment for Good Reason, the Company shall provide you with the compensation and benefits required in the event of a termination Without Cause.

Termination Without Cause or Resignation for Good Reason Following a Change of Control

If your employment is terminated Without Cause or for Good Reason, in either case, in the twelve (12) month period following a Change of Control, as defined below, the Severance Payment shall become 18 months of your base salary

and the greater of (a) your targeted annual Performance Bonus multiplied by 1.5; or (b) the average of the actual Performance Bonuses paid to you in the two year period prior to the termination date, multiplied by 1.5.

For the purposes of this Agreement a “**Change of Control**” means:

- a. the sale by the Company of all or substantially all of its assets;
- b. the acceptance by the shareholders of the Company, representing in the aggregate fifty percent (50%) or more of all of the issued Common Shares in the capital of the Company (collectively, the “Shares”), of any offer, whether by way of a takeover bid or otherwise, for all or any of the outstanding Shares; provided that no Change of Control shall be deemed to have occurred if upon completion of any such transaction individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting issuer following such effective date;
- c. the acquisition, by whatever means, by a person (or two or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Shares acquired), directly or indirectly, of beneficial ownership of such number of Shares or rights to Shares, which together with such person’s then-owned Shares and rights to Shares, if any, represent (assuming the full exercise of such rights) fifty percent (50%) or more of the combined voting rights attached to the then-outstanding Shares;
- d. the entering into of any agreement by the Company to merge, consolidate, restructure, amalgamate, initiate an arrangement or be absorbed by, into or with another company; provided that no Change of Control shall be deemed to have occurred if upon completion of any such transaction individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting issuer following such effective date;
- e. the passing of a resolution by the Board or shareholders of the Company to substantially liquidate the assets of the Company or wind up the Company’s business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such rearrangement is part of a bona fide reorganization of the Company in circumstances where the business of the Company is continued and the shareholdings remain substantially the same following the re-arrangement); or

-
- f. the circumstance in which individuals who were members of the Board immediately prior to a meeting of the shareholders of the Company involving a contest for the election of directors no longer constitute a majority of the Board following such election.

Full and Final Entitlement upon Termination of this Agreement

The payments and terms set forth above are inclusive of the minimum notice of termination or pay in lieu thereof (along with, in either case, the continuation of benefits in accordance with applicable law), and notice of termination (if applicable), all in accordance with applicable law.

For greater certainty, you will not be entitled to any further notice or payments on termination than that which is set out in the aforementioned paragraphs and you explicitly waive your right to any civil law entitlements.

The termination entitlements described above shall continue to be in effect for the duration of your employment unless otherwise amended in writing and signed by both you and the Company. You acknowledge and agree that the termination provisions in this Agreement are reasonable and constitute full and adequate notice and/or compensation to you with respect to the termination of your employment. You therefore understand and agree that upon lawful termination of your employment in compliance with the above termination provisions, you will have no right to claim

further notice, pay in lieu of notice, damages, severance pay, reinstatement, benefits, or any other compensation from the Company, whether under contract, statute, common law or otherwise.

Resignation Without Good Reason

You may resign from your employment at any time by providing the Company with four weeks' written notice. The Company may, at its sole discretion, require that you not attend at work for the balance of the resignation notice period, provided that the Company continues to pay any amounts that you would have earned and maintains your participation in the benefit plans and programs in which you then participate for this notice of resignation period.

Employee Personal Information

By accepting employment with the Company, you consent to the collection of your personal information from such sources as your application, resume and any subsequent information provided by you in the employment context and you agree to the use of this information for purposes related to your employment. You certify that this personal information provided is true and complete. You also agree that we may disclose your personal information either within the Company or externally as required to process benefits, payroll, maintain required compliance activities and licensing.

Professionalism

During your employment with the Company, you agree that you will act at all times in a professional and honest manner. You will not work, directly or indirectly, on your own behalf or for any other individual, corporation, partnership, unincorporated organization, governmental agency or other entity which, in the reasonable opinion of the Company, may give rise to a conflict of interest.

Confidential Information

In this Agreement, "Confidential Information" includes, without limitation, confidential information of the Company, including information developed or contributed by you while in the employment of the Company, relating to such things as business operations, computer programs and associated procedures and systems, parts information, accounting and statistical data and records, pricing and discount practices, other financial information, market studies, sources of supply, special programs relating to sales, training, products and equipment, and any other matters related to the business of the Company which are not commonly known in the public domain.

Except as authorized in writing by the Company, you agree to treat all Confidential Information which you receive or acquire during the course of your employment with the Company on a strictly confidential basis and hold the same solely for the benefit of the Company both during and subsequent to your employment and you will not declare or use, give, loan, sell or otherwise dispose of or make available to any person, firm or corporation, directly or indirectly, any such Confidential Information either during or subsequent to your employment with the Company except as required in the performance of your duties under this Agreement.

Employee Policies and Procedures

You will be required to comply with the Company policies, as they are amended from time to time, which may be communicated by way of manuals, memoranda or via electronic means.

Directors and Officers Liability Insurance and Indemnification over Claims

During and after the term of your employment, the Company shall:

- a. in addition to any protection under the organizational documents of the Company, maintain for your benefit directors and officer's liability insurance at levels equivalent to that provided to other senior executives; and
- a. indemnify and hold you harmless to the fullest extent permitted by applicable law with regard to any action or inaction you may take as an officer, director or employee of the Company or its affiliates or as a fiduciary of any benefit plan of the Company or any affiliate, subject to any limitations on such indemnification imposed by applicable law.

This Article shall survive any termination of your employment.

Additional Terms

This Agreement constitutes the entire agreement between you and the Company relating to your employment relationship and supersedes any prior, contemporaneous, or subsequent statements, representations, warranties, understandings, or inducements of any kind, whether oral or written.

The terms of this Agreement shall remain in effect throughout your employment with the Company, notwithstanding any changes to your title, position, duties, responsibilities, salary or compensation.

You represent that, except as disclosed in writing to the Company, you are not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or any other party. You further represent that your performance of all the terms of this Agreement as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by you in confidence or in trust prior to your employment with the Company. You will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

You agree that all restrictions contained in this Agreement are reasonable and valid and you hereby waive any and all defenses to their strict enforcement by the Company.

You agree that you have been afforded the opportunity to read this Agreement, and to obtain independent legal advice prior to signing it.

Nothing in this Agreement is intended to contract out of your minimum entitlements under applicable law. In the event that applicable law provides you with superior entitlements than provided for in this Agreement, the Company shall provide you with your minimum legal entitlements in substitution for your rights under this Agreement.

All paragraphs and covenants contained in this Agreement are severable, and in the event that any of them shall be held to be invalid, unenforceable or void by a court of a competent jurisdiction, such paragraphs or covenants shall be severed, and the remainder of this Agreement shall remain in full force and effect.

This Agreement is personal to you and may not be assigned in any way by you without the prior written consent of the Company. The Company may assign its rights and obligations under this Agreement to any successor or affiliated entity.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

If you have any questions respecting any of these terms, please contact the undersigned immediately.

Please acknowledge your receipt and review of this Agreement and your acceptance of the terms and conditions of your employment with the Company by signing one copy below and returning it to **Cameron Chell** via HelloSign on or before 4:00 pm PST Pacific time prior to **June 6th, 2022**.

We are pleased to offer you this opportunity and we look forward to receiving your acceptance of our offer. We look forward to having you join the team.

Sincerely,

Cameron Chell

CEO

Draganfly Innovations Inc.

I have read, understood and hereby accept the foregoing offer. I acknowledge that I have been provided with an opportunity to seek independent legal advice before indicating my acceptance of this offer by my signature below.

In signing below, I further acknowledge having requested that this Agreement and all ancillary documents be drafted solely in English. *En signant ci-dessous, je reconnais également avoir demandé que la présente entente ainsi que tout document y afférent soient rédigés en anglais seulement.*

"/s/ Deborah Greenberg"

Deborah R. Greenberg

Date

Exhibit 4.14

THIS FIRST EMPLOYMENT AGREEMENT AMENDMENT (the "**First Amending Agreement**"), is made and effective as of April 1, 2023 (the "**Effective Date**") between:

DRAGANFLY INNOVATIONS INC.,

a company duly incorporated under the laws of the Province of British Columbia with a business address at 2108 St. George Avenue, Saskatoon, Saskatchewan S7M 0K7,

(Hereinafter referred to as the "**Company**")

-and-

DEBORAH R. GREENBERG,

an individual residing at [Redacted]

(Hereinafter referred to as the "**Employee**" or "**you**")

(Company and Employee/You are together referred to herein as the "**Parties**")

WHEREAS:

- A. The Company and the Employee entered into an Employment Agreement dated June 3, 2022 (the "**Employment Agreement**") setting out the terms and conditions of the Employee's employment;

- B. The Company wishes to continue to engage the services of the Employee and the Employee desires to continue to be employed by the Company upon the terms and subject to the conditions of the Employment Agreement as amended by the terms of this First Amendment hereinafter set forth;

NOW THEREFORE in consideration of the promises and the mutual covenants and agreements contained in this First Amending Agreement, including the increase to the Employee's base salary, and in exchange for the Employee's continued employment, the Parties agree to amend the Employment Agreement as follows:

1. The second paragraph of the provision entitled "Employment and Duties" shall be amended by changing the title "Chief Legal Officer" to Chief Legal and Corporate Services Officer".
2. The provision entitled "Base Salary" in the Employment Agreement is replaced with the following:

Your base salary will be \$300,000 per annum, less deductions and withholdings required or authorized by law, payable bi-weekly. Payment from the Company will be made by direct deposit to your designated bank account.

In addition to the above annual salary, you shall be eligible to earn a discretionary annual performance bonus targeted at 100% of your base salary that is in effect at the time of the payment of the bonus (the "**Performance Bonus**").

The Performance Bonus will be determined following the completion of the Company's financial year each year, based on performance metrics to be determined by the Company's compensation committee in its sole discretion. The Company shall pay the Employee the Performance Bonus, if any, following the approval of performance bonus by the Board of Directors during the March board meeting. The Employee understands and agrees that payment of a Performance Bonus should not be considered to be expected compensation and the payment of a Performance Bonus in any one or successive years shall not create an entitlement to a Performance Bonus in any subsequent year.

The performance metrics and target Performance Bonus of the Employee for 2023 are attached hereto as Schedule "A".

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3. The third paragraph of the provision entitled "RSU Options" in the Employment Agreement is replaced with the following:

The Company hereby grants the Employee 144,000 restricted share units of the Company ("**RSUs**") to purchase up to 144,000 common shares of the Company. Subject to the terms of this Agreement, the grant of RSUs to the Employee shall be made in accordance with the terms and conditions of the Company's Amended and Restated Share Compensation Plan (the "**Plan**") and applicable rules and requirements of the Canadian Securities Exchange and NASDAQ. The RSUs shall vest in accordance with the following vesting schedule:

- a) 48,000 RSUs granted September 3, 2023;
- b) 48,000 RSUs granted on March 3, 2024; and
- c) 48,000 RSUs granted on September 3, 2024.

4. Schedule "A" entitled "Performance Bonus Program" will be added to the Employment Agreement as follows:

For the calendar year of 2023, the Employee's target annual Performance Bonus is CDN\$300,000.00, based on the following milestones and achievements:

	% Bonus
Revenue of \$12 million with sliding pro-rated scale < \$10 million is 0%, \$11M is 50%, \$12M is 100%	20%
175% Payroll Efficiency Target" calculated as "Total Revenue/Wages & Salaries"; with sliding scale noted as < 105% is 0, 140% is 50%	20%
ENPS of 20	15%
IT, cybersecurity, Intranet policies and platforms defined, developed, and adopted	15%
1 acquisition completed	10%
Complete set of contracts, LOI, MOU, Joint Collaboration, NDAs templated and with 2 - 5 business day turnaround for drafts	20%
	100%

5. All other terms and conditions of employment set out in the Employment Agreement will remain unchanged and in effect unamended
6. The Employee hereby releases the Company from any and all claims she has or may have arising in any way out of the terms of this First Amending Agreement or the changes to her employment as set out herein.
7. This First Amending Agreement amends the Employment Agreement. This First Amending Agreement and the Employment Agreement shall be read together and constitute one agreement. The Parties agree that the terms of the First Amending Agreement will be effective on the Effective Date.
8. This First Amending Agreement enures to the benefit of and binds the parties hereto and their respective heirs, executors, legal personal representatives, successors and permitted assigns.
9. If there is a conflict between any provision of this First Amending Agreement and any provision of the Employment Agreement, the relevant provision(s) of this First Amending Agreement are to prevail.
10. This First Amending Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of Quebec and the laws of Canada applicable therein. The Parties irrevocably attorn to the jurisdiction of the courts of the Province of Quebec in relation to enforcement of this First Amending Agreement.

TO EVIDENCE THEIR AGREEMENT the parties have executed the First Amending Agreement this _____ day of _____ 2023:

"/s/ Deborah Greenberg"

Deborah R. Greenberg (Employee Signature)

By:

DRAGANFLY INNOVATIONS INC.

"/s/ Cameron Chell"

Authorized Signatory

I have authority to bind the corporation.

Exhibit 8.1

List of Significant Subsidiaries

Draganfly Innovations Inc., a company incorporated under the laws of the Province of British Columbia, all of the shares of which are beneficially owned by the Company.

Dronelogics Systems Inc., a company incorporated under the laws of the Province of British Columbia, all of the shares of which are beneficially owned by the Company.

Draganfly Innovations USA Inc., a company incorporated under the laws of Delaware, all of the shares of which are beneficially owned by the Company.

Exhibit 12.1

**CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Cameron Chell, certify that:

1. I have reviewed this annual report on Form 20-F of Draganfly Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 27, 2024

/s/ Cameron Chell

Name: Cameron Chell

Title: Chief Executive Officer
(principal executive officer)

Exhibit 12.2

**CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul Sun, certify that:

1. I have reviewed this annual report on Form 20-F of Draganfly Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.
- 5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 27, 2024

/s/ Paul Sun

Name: Paul Sun

Title: Chief Financial Officer

(principal financial officer)

Exhibit 13.1

**CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, as the Chief Executive Officer of Draganfly Inc. certifies that, to the best of his knowledge and belief, the annual report on Form 20-F for the fiscal year ended December 31, 2023, which accompanies this certification, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the annual report on Form 20-F for the fiscal year ended December 31, 2023 fairly presents, in all material respects, the financial condition and results of operations of Draganfly Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose. The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Date: March 27, 2024

/s/ Cameron Chell

Cameron Chell

Chief Executive Officer

(principal executive officer)

Exhibit 13.2

**CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, as the Chief Financial Officer of Draganfly Inc. certifies that, to the best of his knowledge and belief, the annual report on Form 20-F for the fiscal year ended December 31, 2023, which accompanies this certification, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the annual report on Form 20-F for the fiscal year ended December 31, 2023 fairly presents, in all material respects, the financial condition and results of operations of Draganfly Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose. The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Date: March 27, 2024

/s/ Paul Sun

Paul Sun
Chief Financial Officer
(principal executive officer)

Exhibit 15.1



**Management Discussion and Analysis
For the year ended December 31, 2023**

**Draganfly Inc.
Management Discussion and Analysis
For the year ended December 31, 2023**

This Management’s Discussion and Analysis (“MD&A”) is presented and dated as of March 27, 2024, and should be read in conjunction the annual consolidated financial statements and related notes for the year ended December 31, 2023. The Company’s audited consolidated financial statements have been prepared on a “going concern” basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The operations of the Company have been primarily funded through its Regulation A+ Offering of units, its Nasdaq prospectus financing, internally generated cashflow and private placements of equity and convertible debentures. The continued operations of the Company are dependent on the Company’s ability to generate profitable operations in the future, develop and execute a sufficient financing plan for future operations and receive continued financial support from shareholders and other providers of finance.

The consolidated financial statements do not reflect the adjustments, if any, or changes in presentation that may be necessary should the Company not be able to continue on a going concern basis.

All currency amounts in the accompanying financial statements and this management discussion and analysis are in Canadian dollars unless otherwise noted.

Special Note Regarding Forward Looking Information

This Management Discussion & Analysis (“MD&A”) is intended to provide readers with the information that management believes is required to gain an understanding of the current results of Draganfly Inc. (the “Company” or “Draganfly”) and to assess the Company’s future prospects. Accordingly, certain sections of this report, other than statements of historical fact, may contain forward-looking statements that are based on current plans and expectations and are subject to certain risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other similar expressions.

The statements we make regarding the following matters are forward-looking by their nature and are based on certain of the assumptions noted below:

- the intentions, plans and future actions of the Company;
- statements relating to the business and future activities of the Company;
- anticipated developments in operations of the Company;
- market position, ability to compete and future financial or operating performance of the Company;
- the timing and amount of funding required to execute the Company’s business plans;
- capital expenditures;
- the effect on the Company of any changes to existing or new legislation or policy or government regulation;
- the availability of labor;
- requirements for additional capital;
- goals, strategies and future growth;
- the adequacy of financial resources;
- expectations regarding revenues, expenses and anticipated cash needs;
- general market conditions and macroeconomic trends driven by geopolitical conflicts, including supply chain disruptions, market volatility, inflation, and labor challenges, among other factors.

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The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions, and expectations of future performance, taking into account the information currently available to us. Furthermore, unless otherwise stated, the forward-looking statements contained in this Annual Report are made as of the date hereof, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether because of new information, future events, changes or otherwise, except as required by law.

These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. These include, without limitation, the Company’s current and planned operations and the expected results of new operations and new clients. These risks and uncertainties include, but are not restricted to:

- The Company's history of losses;
- The dilution of holdings in the Company's securities;
- Research and development costs;
- The failure of new business models to produce financial returns;
- Operational risks for which the Company may not be adequately insured;
- The Company operates in an evolving market that makes it difficult to evaluate business and future prospects;
- Competitive market conditions and challenges from competitors;
- The pace of technological change and the Company's ability to stay on top of market and technology changes;
- The failure to obtain necessary regulatory approvals and permits or limitations placed on the development, operation, and sale of unmanned aerial vehicles ("UAVs") by governments;
- Risks associated with any particular future acquisitions that would allow the company to provide additional product or service offerings;
- The Company's ability to retain key employees and personnel and the Company's ability to manage growth;
- Adverse economic changes;
- Negative macroeconomic and geopolitical trends that could restrict the Company's ability to access capital;
- Uncertainties associated with operations in foreign countries;
- Adverse tax policies;
- An inability to access critical components or raw materials used to manufacture the Company's products and supply chain disruptions;
- Weather and other natural outdoor conditions that can imperil the use of UAVs;
- The Company's products may be subject to recalls or returns or defective products or services that could negatively affect the Company's operating results;
- An inability to secure adequate funding for research and development;
- Export controls or restrictions on the Company's ability to deliver its product outside of Canada;
- Consumer perception regarding the use and safety of UAVs;
- A failure to successfully market the Company's products;
- Security risks associated with electronic communications and IT infrastructure;
- Inadequate consumer protection and data privacy practices;
- An inability of our business partners to fulfill their obligations to us or to secure company information;
- A failure to protect the Company's intellectual property, proprietary rights, and trade secrets, including through a failure to adequately apply for or seek such protections;
- Failure to adhere to financial reporting obligations and mandates associated with being a public company;
- The Company's limited experience operating as publicly traded corporation;
- Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters;
- Write-downs of goodwill or other intangible assets;
- Legal proceedings in which the Company may become involved;
- Conflicts of interests among our directors and officers;

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- Volatility related to our share price;
- A failure to maintain an active trading market for our common shares;
- The Company may never pay dividends, and a return on an investment in the Company will depend upon an appreciation in the price of our shares after purchase;
- The Company may be classified as a "passive foreign investment company" for U.S. federal income tax purposes;
- United States investors may not be able to obtain an enforcement of civil liabilities against the Company
- The Company's status as an "emerging growth company";

- Increased costs and compliance matters related to our status as a public company in the United States; and
- The Company’s status as a “foreign private issuer.”

Readers are cautioned to read more about the potential risks the Company faces under the heading “Business Risks” at the end of this MD&A.

Non-GAAP Measures and Additional GAAP Measures

In this MD&A we describe certain income and expense items that are unusual or non-recurring. There are terms not defined by International Financial Reporting Standards (IFRS). Our usage of these terms may vary from the usage adopted by other companies. Specifically, *Gross profit*, *Gross margin* and *Cash flow from operations* are undefined terms by IFRS that may be referenced herein. We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results.

Throughout this document, reference is made to “gross profit,” “gross margin,” and “working capital”, which are non-IFRS measures. Management believes that gross profit, defined as revenue less operating expenses, is a useful supplemental measure of operations. Gross profit helps provide an understanding on the level of costs needed to create revenue. Gross margin illustrates the gross profit as a percentage of revenue. Management believes that working capital, defined as current assets less current liabilities, is an indicator of the Corporation’s liquidity and its ability to meet its current obligations. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards (“IFRS”).

Core Business and Strategy

Draganfly creates quality, cutting-edge unmanned and remote data collection and analysis platforms and systems that are designed to revolutionize the way companies do business. The Company is incorporated under the British Columbia Business Corporations Act and has its registered office located at suite 2700 - 1133 Melville Street, Vancouver, BC, V6E 4E5 with a head office at 35 103rd St. E, Saskatoon, SK, S7N 1Y8.

Recognized as being at the forefront of UAV (“unmanned aerial vehicle”) technology for over two decades, Draganfly is an award-winning, industry-leading manufacturer, contract engineering, and product development company within the commercial UAV 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.

Founded in 1998, Draganfly is recognized as one of the first commercial multi-rotor manufacturers and has a legacy for its innovation and superior customer service. The company has sold products and services to over 50 countries.

Draganfly can provide its customers with an entire suite of products and services that include quad-copters, fixed-wing aircrafts, ground based robots, handheld controllers, flight training, and software used for tracking, live streaming, data collection, and health monitoring. The integrated UAV system is equipped for automated take-offs and landings with altitude and return to home functions as well as in-house created survey software. Draganfly’s standard features combined with custom fit camera payloads ranging from multi-spectral, hyper-spectral, LIDAR, thermal, and infrared allows Draganfly to offer a truly unique solution to clients.

With 23 issued and one pending fundamental UAV patents in the portfolio, Draganfly will continue to expand and grow its intellectual property portfolio.

Historically, the main business of the Company was as a manufacturing company offering commercial UAVs directly to its customer base across various industry verticals. The Company has evolved to offer drone solutions, including continuing to sell and develop its own OEM products, providing engineering procurement, drone services, and reselling third party products.

Draganfly works with its customers to customize a product or platform from idea to research and development (R&D) to completion and testing. A work plan is created with timelines and budgets which includes materials, travel, testing, and engineering time. The work plan is approved by the customer before work begins. To date, the majority of this work is considered proprietary in nature and is protected by trade secrets and other intellectual property protections.

The Company's scope includes providing custom built parts, accessories, drone services, and the ability to sell third-party manufactured UAVs along with support services.

On February 26, 2024, the Company completed an underwritten share placement of 11,200,000 units with each unit consisting of one common share and one warrant to purchase one common share and 2,200,000 units consisting of one pre-funded warrant to purchase one common share and one warrant to purchase one common share. Each unit was sold at a price of \$0.27 USD for gross proceeds of \$3,617,780 million (\$4,075,946 million CAD). Net proceeds of \$3,289,520 million USD (\$4,433,831 million CAD) was received after share issue costs of \$328,260 USD (\$442,450 thousand CAD). The pre-funded warrants have an exercise price of \$0.0001 USD and were exercised on the date of issue bringing the total gross proceeds to \$3,618,000 USD. The remaining warrants have an exercise price of \$0.36 USD and are exercisable immediately with a term of 5 years. As part of this transaction 670,000 warrants were issued to the underwriter with an exercise price of \$0.3375 USD and will have a term of 3 years.

On October 30, 2023, the Company completed a public offering and issued 6,400,000 share units at an offering price of USD \$0.55 per unit for gross proceeds of USD \$3,520,000. The units were issued as follows: 4,800,000 units comprised of one share and one warrant and 1,600,000 units comprised of one pre-funded warrant with an exercise price of \$0.0001 USD and have no expiry date and one warrant. The warrants had an exercise price of USD \$0.61 per share, are exercisable immediately and expire five years from the date of issuance.

March 31, 2023 the Company closed an underwritten public offering of 8,000,000 common shares at a price of \$1.00 USD per share for total gross proceeds of \$8,000,000 USD (\$10,856,166 million CAD) with share issue costs of \$1,443,163 USD (\$1,953,032 million CAD) for net proceeds of \$6,556,837 (\$8,903,134 million CAD).

On January 31, 2023, the Company entered into an equity distribution agreement. The agreement will allow the Company from time to time, to distribute in an at-the-market offering ("ATM") up to \$15,000,000 (USD) in common shares. Draganfly intends to use the net proceeds from the ATM for general corporate purposes, including to fund ongoing operations, growth initiatives and/or for working capital requirements including the continuing development and marketing of the Company's core products, potential acquisitions and research and development.

From February 1, 2023 to February 17, 2023, the Company distributed 650,759 ATM shares under the ATM offering at an average price of \$2.69 per share for net proceeds of \$1,526,810.

On July 30, 2021, the Company's shares began trading on the Nasdaq Capital Market (the "Nasdaq") under the symbol "DPRO". The Company's shares continue to trade on the Canadian Stock Exchange (the "CSE"), however, as of July

30, 2021 they now trade under the symbol “DPRO” on that exchange as well. The Company’s shares also trade on the Frankfurt Stock Exchange under the Symbol “3UB”.

In order to become compliant with Nasdaq regulations, the company also underwent a stock consolidation. Effective July 29, 2021, the Company consolidated its issued and outstanding common shares on a 5 to 1 basis, which resulted in 27,045,909 common shares outstanding post-consolidation.

Additional information relating to the Company may be found at the Company’s website, www.draganfly.com.

2023 Highlights

- **2023 Total Revenues of \$6,554,842 with Product Sales of \$5,287,093**

2023 revenues decreased by \$1,050,217 from \$7,605,059 in 2022 to \$6,554,842 with the bulk of this decrease coming from provision of services. Service revenue decreased by \$786,878 from \$2,054,627 in 2022 to \$1,267,749 in 2023.

- **Gross Profit was \$2,064,114 with a Gross Margin increase of 21.1% in 2023 compared to 2022.**

In 2023, the Company’s total gross margin was 31.5% compared to 10.4% in 2022. Gross margin excluding the non-cash write down of inventory of \$331,671 (2022 - \$1,976,514) would have been 36.5% (2022 - 36.4%). The non-cash write down of inventory for 2022 was primarily related to a product line that is no longer a focus for the Company.

- **Continued Diversification of its Product and Services Offering**

Given the Company’s deep engineering talent, the Company continues to expand its product and services available to its customers. Doing this leverages the Company’s core skill set of innovation that tends to lead to future projects, bringing in more consistent revenue. The Company continues to increase its scope of products and service to include the sale of third-party manufactured UAVs and drone-as-a-service type work. Having a larger breadth of products and services, in part, mitigates some risk for the Company given its offering covers a broader market.

- **Functional Reorganization**

The Company has undertaken an effort to reorganize its functions into departments such as Finance, Sales and Marketing, Operations, Human Resources, etc. with the key goal of obtaining efficiencies by streamlining processes and procedures at a corporate shared service level as opposed to segmenting departments at the subsidiary level.

- **Risks Related to Operations**

The Company’s UAVs are sold in rapidly evolving markets. The commercial UAV market is in early stages of customer adoption. Accordingly, the Company’s business and prospects may be difficult to evaluate. The Company cannot accurately predict the extent to which demand for its products and services will increase, if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact the Company’s ability to do the following:

- generate sufficient revenue to maintain profitability;
- acquire and maintain market share;
- achieve or manage growth in operations;
- develop and renew contracts;
- attract and retain additional engineers and other highly qualified personnel;
- successfully develop and commercially market new products;
- adapt to new or changing policies and spending priorities of governments and government agencies; and
- access additional capital when required and on reasonable terms.

For further and more detailed risk disclosure, please reference “Business Risks” at the end of this MD&A.

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Outlook and Guidance

General

The Company believes that drone regulations are gradually evolving in favor of additional use cases, which could lead to more revenue opportunities from a greater pool of customers. The Company is positioned properly to take advantage of this dynamic given its legacy and ongoing innovative product development coupled with being publicly traded providing greater market awareness than its private competitors. The Company will increasingly focus on some of its growth initiatives beyond Canada and into the United States and abroad. All else being equal, accessing more capital will help the Company expand and diversify its engineering and drone services businesses. The Company has already built the infrastructure including human resources from an oversight, sales and engineering perspective. Further, the Company will continue to focus on innovation, product development, and expanding its hardware offerings opportunistically into niche segments of the UAV and related sectors. Finally, the Company has considered providing various other non-engineering services and it may make more sense to buy an existing industry player than to build out this offering. The Company expects to be active in this regard reviewing partnerships and acquisitions in the current fiscal year and the near future.

Selected Financial Information

The following selected financial data has been extracted from the unaudited condensed consolidated interim financial statements, prepared in accordance with International Financial Reporting Standards, for the fiscal years indicated and should be read in conjunction with the unaudited condensed consolidated interim financial statements. All earnings per share calculations are shown post-consolidation.

For the year ended December 31,	2023	2022	2021
Total revenues	\$ 6,554,842	\$ 7,605,059	\$ 7,053,965
Gross Profit (as a % of revenues) ⁽¹⁾	31.5%	10.4%	37.5%
Net (loss) income	(23,611,810)	(27,654,364)	(16,202,972)
Net (loss) income per share (\$)			
- Basic	(0.56)	(0.82)	(0.58)
- Diluted	(0.56)	(0.82)	(0.58)
Comprehensive (loss) income	(23,709,851)	(27,305,305)	(16,399,137)
Comprehensive (loss) income per share (\$)			
- Basic	(0.56)	(0.81)	(0.59)
- Diluted	(0.56)	(0.81)	(0.59)
Change in cash and cash equivalents	\$ (4,801,169)	\$ (15,180,932)	\$ 21,093,297

(1) Gross Profit (as a % of revenues) would have been 36.5% (2022 – 36.4%; 2021 – 37.5%) not including a non-cash write down of inventory for \$331,671 (2022 - \$1,976,514; 2021 - \$nil).

The net loss and comprehensive loss for the year ended December 31, 2023, includes non-cash changes comprised of a change in fair value of derivative liability of \$211,110 (2022 - \$5,502,688; 2021 - \$8,149,812), an expense for impairment of notes receivable of \$101,351 (2022 - \$309,385; 2021 - \$891,471), a write down of inventory of \$331,671 (2022 - \$1,976,514; 2021 - \$nil), and an expense for goodwill and intangibles impairment of \$87,415 (2022 - \$6,454,914; 2021 - \$4,579,763) and would otherwise have been a net loss of \$23,302,483 (2022 - \$24,416,239; 2021 - \$18,881,550), and comprehensive loss of \$23,400,524 (2022 - \$24,067,180; 2021 - \$19,077,715).

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As at	December 31, 2023	December 31, 2022
Total assets	\$ 8,330,292	\$ 14,638,533
Working capital	(717,017)	10,168,800
Total non-current liabilities	523,584	249,740
Shareholders' equity	\$ 407,716	\$ 11,040,881
Number of shares outstanding	49,229,563	34,270,579

Shareholders' equity and working capital as at December 31, 2023, includes a fair value of derivative liability of \$4,196,125 (\$57,314 – 2022) and would otherwise be \$4,603,841 (\$11,098,195 – 2022) and \$3,479,108 (\$10,226,114 - 2022) respectively.

Results of Operations

Revenue

For the year ended December 31,	2023	2022	2021
Product sales	\$ 5,287,093	\$ 5,550,432	\$ 5,103,399
Provision of services	1,267,749	2,054,627	1,950,466
Total revenue	\$ 6,554,842	\$ 7,605,059	\$ 7,053,865

Total revenue for the year ended December 31, 2023, decreased by \$1,050,217 or 13.8% as compared to 2022. The decrease in revenue is largely due to a decrease in services in Dronelogics.

Product sales decreased \$263,339 or 4.7% in 2023 as compared to 2022. The small decrease in revenue is largely due to decreased product sales from Dronelogics.

Services revenue decreased by \$786,878 or 38.3% in 2023 as compared to 2022. The decrease was due primarily to fewer arrangements for services in Dronelogics.

Costs of Goods Sold/Gross Margin

For the year ended December 31,	2023	2022	2021
Cost of goods sold ⁽¹⁾	\$ (4,490,728)	\$ (6,814,384)	\$ (4,410,777)
Gross profit	\$ 2,064,114	\$ 790,675	\$ 2,643,088
Gross margin (%)	31.5%	10.4%	37.5%

(1) Cost of goods sold would have been \$4,159,057 (2022 - \$4,837,870; 2021 - \$4,410,777) not including a non-cash write down of inventory for \$331,671 (2022 - \$1,976,514; 2021 - \$nil).

Gross profit is the difference between the revenue received and the direct cost of that revenue. Gross margin is gross profit divided by revenue and is often presented as a percent.

For the year ended December 31, 2023, the Company's Gross Profit increased by \$1,273,439 or 161.1% compared to 2022. As a percentage of sales, gross margin increased from 10.4% in 2022 to 31.5% in 2023.

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For the year ended December 31, 2023, not including the non-cash write down of inventory of \$331,671 (2022 - \$1,976,514) the Company's Gross Profit decreased by \$371,404 (2022 - \$124,101) or 18.5% (2022 – increased 4.7%) compared to 2022. As a percentage of sales, adjusted gross margin increased from 36.4% in 2022 to 36.5% in 2023 (2022 – decrease from 37.5% in 2021 to 36.4% in 2022).

Selling, General and Administrative

For the year ended December 31,	2023	2022	2021
Insurance	\$ 1,825,137	\$ 3,722,237	\$ 2,962,767
Office and Miscellaneous	6,303,879	5,397,961	6,455,998
Professional Fees	4,145,586	6,821,583	4,445,949
Research and development	1,554,823	651,302	510,895
Share-based payments	2,021,664	3,311,024	3,952,595
Travel	704,994	396,388	143,904
Wages and salaries	6,976,792	6,105,020	2,768,010
Total	\$ 23,532,875	\$ 26,405,515	\$ 21,240,118

For the year ended December 31, 2023, SG&A expenses decreased by 10.9%, from \$26,405,515 in 2022 to \$23,532,875 in 2023. The largest contributors to the decrease are insurance cost, professional fees expense and share-based payments.

Net and Comprehensive Income (Loss)

For the year ended December 31,	2023	2022	2021
Loss from operations	\$ (22,616,331)	\$ (26,909,948)	\$ (19,278,188)
Change in fair value of derivative liability	211,110	5,502,688	8,149,812
Finance and other costs	83,280	44,345	5,074
Foreign exchange (loss) gain	(249,563)	745,102	362,448
Gain (loss) on disposal of assets	(944)	(10,755)	-
Impairment of notes receivable	(101,351)	(309,385)	(891,471)
Impairment of goodwill	-	(6,454,914)	(4,579,763)
Income from government assistance	5,232	2,446	24,148
Write down of deposit	-	(228,572)	-
Other (loss) income	(943,243)	(35,371)	4,968
Net loss	(23,611,810)	(27,654,364)	(16,202,972)
Cumulative translation differences	(94,861)	447,542	136,475
Unrealized gain on investments available for sale	(3,180)	(98,483)	(332,640)
Comprehensive loss	\$ (23,709,851)	\$ (27,305,305)	\$ (16,399,137)

For the year ended December 31, 2023, the Company recorded a comprehensive loss of \$23,709,851 compared to \$27,305,305 in 2022.

The net and comprehensive loss for the year ended December 31, 2023, includes non-cash changes comprised of a gain in fair value of derivative liability of \$211,110, an expense on impairment for notes receivable of \$101,351, a write down of inventory of \$331,671, and an expense for goodwill and intangibles impairment of \$87,415 and would otherwise be losses of \$23,302,483 and \$23,400,524 respectively. The net and comprehensive loss for the same period last year, includes non-cash changes comprised of a gain in fair value of derivative liability of \$5,502,688, an expense on impairment for notes receivable of \$309,385, a write down of inventory of \$1,976,514, and an expense for goodwill and intangibles impairment of \$6,454,914 and would otherwise be losses of \$24,416,239 and \$24,067,180 respectively.

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended December 31, 2023,

- The Company issued 1,508,255 common shares for the vesting of restricted share units.
- The Company issued 8,000,000 common shares in a financing for \$10,856,166 with share issuance costs of \$1,786,980 for net proceeds of \$9,069,186.
- The Company issued 650,729 common shares in an ATM (“At - the - market”) financing for \$1,748,946 with share issuance costs of \$222,136 for net proceeds of \$1,526,810.
- The Company issued 4,800,000 common shares in a financing for proceeds of \$4,858,995 with share issuance costs of \$889,623 for net proceeds of \$3,969,372. Of the total share issuance costs \$793,979 were expensed in other income (expense).

During the year ended December 31, 2022:

- The Company issued 16,538 common shares for the exercise of warrants for \$87,170.
- The Company issued 12,500 common shares for the exercise of stock options for \$26,875.
- The Company issued 1,072,595 common shares for the vesting of Restricted Share Units.

Summary of Quarterly Results

The following selected quarterly financial data has been extracted from the financial statements, prepared in accordance with International Financial Reporting Standards.

Total revenue for the three months ended December 31, 2023, decreased by \$397,863 or 30.2% as compared to the same period in 2022. The decrease was due to lower product sales.

SG&A expenses decreased 52.5% compared to the same period in 2022 due to lower professional fees, wage costs, and lower share based compensation charges. These are partially offset by an increase in travel costs. The other income (expense) and comprehensive loss for the fourth quarter of 2023 includes non-cash changes comprised of a fair value derivative liability gain of \$153,798, and would otherwise be an other expense of \$1,122,810 and comprehensive loss of \$4,345,594, respectively.

Total revenue for the three months ended December 31, 2023, decreased by \$1,221,718 or 57.1% as compared to the three months ended September 30, 2023. The primary decrease in revenue is due to the decrease in product revenue as well as service sales. Product sales decreased by \$981,303 or 59.4% in the fourth quarter of 2023 as compared to the third quarter of 2023 primarily due to delayed timing of certain product orders as well as increased competition.

Service revenue decreased by \$240,415 or 49.6% in the fourth quarter of 2023 as compared to the third quarter of 2023 primarily due to fewer service arrangements.

SG&A expenses decreased by \$2,884,538 or 47.6% compared to the third quarter of 2023 due to decreased office and miscellaneous costs, professional fees, salaries and wages and share-based payments, partially offset by an increase in research and development.

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The table below summarizes the quarterly results over the past eight fiscal quarters. All earnings per share calculations are shown post-consolidation.

	<u>2023 Q4</u>	<u>2023 Q3</u>	<u>2023 Q2</u>	<u>2023 Q1</u>
Revenue	\$ 916,299	\$ 2,138,018	\$ 1,899,039	\$ 1,601,486
Cost of goods sold ⁽²⁾	\$ (657,420)	\$ (1,243,334)	\$ (1,431,922)	\$ (1,158,052)
Gross profit ⁽³⁾	\$ 258,879	\$ 894,683	\$ 467,117	\$ 443,434
Gross margin – percentage	28.3%	41.8%	24.6%	27.7%
Operating expenses	\$ (3,482,141)	\$ (6,356,138)	\$ (7,234,034)	\$ (7,608,132)
Operating income (loss)	\$ (3,223,262)	\$ (5,461,456)	\$ (6,766,917)	\$ (7,164,697)
Operating loss per share - basic	\$ (0.08)	\$ (0.13)	\$ (0.15)	\$ (0.20)
Operating loss per share - diluted	\$ (0.08)	\$ (0.13)	\$ (0.15)	\$ (0.20)
Other income (expense)	\$ (965,072)	\$ 14,569	\$ (142,046)	\$ 97,073
Change in fair value of derivative liability ⁽¹⁾	\$ 153,798	\$ -	\$ -	\$ 57,312
Other comprehensive income (loss)	\$ (3,461)	\$ (83,363)	\$ 18,152	\$ (29,369)
Comprehensive income (loss)	\$ (4,191,796)	\$ (5,530,248)	\$ (6,890,812)	\$ (7,096,995)
Comprehensive income (loss) per share - basic	\$ (0.10)	\$ (0.13)	\$ (0.15)	\$ (0.18)
Comprehensive income (loss) per share - diluted	\$ (0.10)	\$ (0.13)	\$ (0.15)	\$ (0.18)
	<u>2022 Q4</u>	<u>2022 Q3</u>	<u>2022 Q2</u>	<u>2022 Q1</u>
Revenue	\$ 1,314,162	\$ 1,876,221	\$ 2,370,115	\$ 2,044,562
Cost of goods sold ⁽⁴⁾	\$ (2,980,133)	\$ (1,249,313)	\$ (1,356,526)	\$ (1,228,412)
Gross profit ⁽⁵⁾	\$ (1,665,971)	\$ 626,908	\$ 1,013,589	\$ 816,150
Gross margin – percentage	-126.8%	33.4%	42.8%	39.9%
Operating expenses	\$ (7,342,669)	\$ (7,007,691)	\$ (7,176,445)	\$ (6,173,819)
Operating loss	\$ (9,008,640)	\$ (6,380,783)	\$ (6,162,856)	\$ (5,357,669)
Operating loss per share - basic	\$ (0.26)	\$ (0.19)	\$ (0.19)	\$ (0.16)
Operating loss per share - diluted	\$ (0.26)	\$ (0.19)	\$ (0.19)	\$ (0.16)
Other income (expense)	\$ (7,575,889)	\$ 1,039,968	\$ 6,638,171	\$ (846,666)
Change in fair value of derivative liability ⁽¹⁾	\$ 334,016	\$ 305,094	\$ 6,094,438	\$ (1,230,860)
Other comprehensive income (loss)	\$ (76,073)	\$ 348,282	\$ 165,009	\$ (88,159)
Comprehensive income (loss)	\$ (16,660,602)	\$ (4,992,533)	\$ 640,324	\$ (6,292,494)
Comprehensive income (loss) per share - basic	\$ (0.49)	\$ (0.15)	\$ 0.02	\$ (0.19)

Comprehensive income (loss) per share - diluted	<u>\$ (0.49)</u>	<u>\$ (0.15)</u>	<u>\$ 0.02</u>	<u>\$ (0.19)</u>
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- (1) Included in other income (expense).
- (2) Cost of goods sold includes non-cash inventory write downs of \$77,047 in Q1 2023, \$122,600 in Q2 2023, \$8,600 in Q3 2023 and \$123,424 in Q4 2023 and would have been \$1,081,005 in Q1 2023, \$1,309,322 in Q2, \$1,234,734 in Q3, and \$533,996 in Q4 2023 before these write downs.
- (3) Gross profit would have been \$520,481 in Q1 2023, \$589,717 in Q2 2023, \$903,283 in Q3 2023 and \$382,303 in Q4 2023 without the write downs. Gross profit would have been \$310,543 in Q4 of 2022 without the write downs.
- (4) Cost of goods sold in Q4 2022 would have been \$1,003,619 not including a non-cash write down of inventory for \$1,976,514.
- (5) Gross profit for Q4 2022 would have been \$310,543 not including a non-cash write down of inventory for \$1,976,514.

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Draganfly Inc.
Management Discussion and Analysis
For the year ended December 31, 2023

Liquidity and Capital Resources

The Company's liquidity risk is derived from its loans, accounts payable, and accrued liabilities, as it may encounter difficulty discharging those obligations, but the Company endeavors to mitigate that risk through the careful management of its debt holders and the assertive pursuit of capital inflow for its operations. The Company's working capital shortfall of \$(717,017) as at December 31, 2023, would be increased to an excess of \$3,479,108, if the non-cash derivative liability was excluded. The Company's working capital as at December 31, 2022 was \$10,168,800.

The Company considers the items included in capital to include shareholders' equity. The Company manages its capital structure and adjusts it in light of changes in economic and business conditions, financing environment, and the risk characteristics of the underlying assets. The Company does not have any contracted or committed capital expenditures as of the date of this MD&A. The Company utilizes its credit card facilities from time to time to make various purchases for their operations.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Based on the Company's existing operations, the Company will need to raise additional capital during the next twelve months and beyond to support its business plan.

Subsequent to December 31, 2023, the Company closed an underwritten public offering and issued 13,400,000 share units at an offering price of \$0.27 per unit for gross proceeds of \$3,618,000 USD. Gross proceeds in local currency resulted in \$4,876,282 with share issue costs of \$442,450, netting \$4,433,831.

Subsequent to December 31, 2023, 1,600,000 pre-funded warrants were exercised for proceeds of \$160 USD (\$216 CAD) and an equal number of shares were issued at a value of \$578,200 USD (\$773,624 CAD).

On October 30, 2023 the Company entered into a public offering and issued 6,400,000 share units at an offering price of \$0.55 per unit for gross proceeds of USD \$3,520,000. Gross proceeds in local currency resulted in \$4,858,995 with share issuance costs of \$493,109, netting \$4,365,886.

On March 31, 2023, the Company closed an underwritten public offering of its common shares in the United States for gross proceeds of USD \$8,000,000. Gross proceeds in local currency resulted in \$10,856,166 with share issuance costs of \$1,953,032, netting \$8,903,134.

On January 31, 2023, the Company entered into an equity distribution agreement. The agreement allowed the Company, from time to time, to distribute in an at-the-market offering for up to USD \$15,000,000 in common shares. From February 1, 2023 to February 17, 2023, the Company distributed 650,729 ATM shares under the ATM offering at an average price of 2.69 per share for gross proceeds in local currency of \$1,748,976 with share issuance costs of \$222,136, netting \$1,526,810.

Draganfly intends to use the net proceeds for general corporate purposes, including to fund operations, growth initiative and/or for capital requirements including the continuing development and marketing of the Company's core products, potential acquisitions and research and development.

Further, in order to maintain or adjust its capital structure, the Company may issue new shares, new debt, or scale back the size and nature of its operations. The Company is not subject to externally imposed capital requirements. As at December 31, 2023, shareholders' equity was \$407,716 and at December 31, 2022, shareholder's equity was \$11,040,881. The Company's shareholder's equity at December 31, 2023 would be \$4,603,841 (\$11,098,195 – 2022) if the non-cash derivative liability was considered equity.

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Draganfly Inc.
Management Discussion and Analysis
For the year ended December 31, 2023

We expect, from time to time, to evaluate the acquisition of businesses, intellectual property, products and technologies for which a portion of the net proceeds may be used. There is always the potential that any acquisition or investment in a company or product has a negative impact on future cash flows of the Company.

Our plan of operations for the next year includes the following: (i) ensure production capacity is adequate to meet demand for products; (ii) continuing to hone existing product offerings; (iii) streamline workflow efficiencies; (iv) diversifying and expanding business lines organically and by potential acquisitions; (v) continuing to patent innovative ideas for new products; and (vi) developing and increasing current product offering to various niche industries that are not currently being served.

AS of the date of the MD&A, we cannot predict with certainty all of the particular uses for the net proceeds received from the closing of past financings. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors.

Off-Balance Sheet Arrangements

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources.

Contractual Obligations

As of December 31, 2023, and as of the date of this MD&A, and in the normal course of business, the following is a summary of the Company's material obligations to make future payments, representing contracts, and other commitments that are known and committed.

Right of Use Asset

	Total
Cost	
Balance at December 31, 2021 and 2022	\$ 683,117
Additions	740,355
Lease adjustment	-
Balance at December 31, 2023	\$ 1,423,472
Accumulated depreciation	
Balance at December 31, 2021	\$ 215,011
Charge for the year	123,360
Balance at December 31, 2022	\$ 338,371
Charge for the year	363,086
Foreign exchange	328
Balance at December 31, 2023	\$ 701,785
Net book value:	
December 31, 2022	\$ 344,746
December 31, 2023	\$ 721,687

The statement of financial position shows the following amounts related to leases:

	2023	2022
Buildings	\$ 721,687	\$ 342,361
Vehicles	-	2,385
	\$ 721,687	\$ 344,746

Additions to the right of the assets during the 2023 financial year were \$740,355 (2022 - \$nil).

Lease Liability

	Total
Balance at December 31, 2021	\$ 489,123
Interest expense	39,795
Lease payments	(150,275)
Balance at December 31, 2022	\$ 378,643
Additions	734,903
Interest expense	96,423
Lease payments	(423,410)
Foreign exchange	3,464
Balance at December 31, 2023	\$ 790,023

Which consists of:

	December 31, 2023	December 31, 2022
Current lease liability	\$ 362,001	\$ 133,962
Non-current lease liability	428,022	244,681
Balance at December 31, 2023	\$ 790,023	\$ 378,643

Maturity analysis	December 31, 2023	December 31, 2022
Less than one year	\$ 429,948	\$ 147,340
One to three years	355,879	209,078
Four to five years	141,519	83,850
Total undiscounted lease liabilities	927,346	440,268
Amount representing interest	(137,323)	(61,625)
	\$ 790,023	\$ 378,643

Variable lease payments of \$43,542 (2022 - \$22,539) have been recognized in profit and loss.

Related Party Transactions

On August 1, 2019, the Company entered in a business services agreement (the “Agreement”) with Business Instincts Group (“BIG”), a company that Cameron Chell, CEO and director has a material interest in that he previously controlled, to provide: corporate development and governance, strategic facilitation and management, general business services, office space, corporate business development video content, website redesign and management, and online visibility management at fees set out in the Agreement. For the year ended December 31, 2023, the company incurred fees of \$429,766 (December 31, 2022 - \$442,485) which are included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$3,780 (December 31, 2022 - \$30,804).

On October 1, 2019, the Company entered into an independent consultant agreement (“Consultant Agreement”) with 1502372 Alberta Ltd, a company controlled by Cameron Chell, CEO and director, to provide executive consulting services to the Company and all fees are set in the Consultant Agreement. For the year ended December 31, 2023, the Company incurred fees of \$592,500 (December 31, 2022 - \$566,487) included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$35,417 (December 31, 2022 - \$nil).

On July 3, 2020, the Company entered into an executive consultant agreement (“Executive Agreement”) with Scott Larson, a director of the Company, to provide executive consulting services, as President, to the Company. On May 9, 2022, Scott Larson ceased to be President of the Company and entered into an agreement to provide executive consulting services to the Company and all fees are set in the consulting agreement. For the year ended December 31, 2023, the Company incurred fees of \$215,019 (December 31, 2022 - \$383,288) included in professional fees. As at December 31, 2023, the Company was indebted to this company in the amount of \$9,287 (December 31, 2022 - \$20,745).

Trade receivables/payables and accrued receivables/payables:

As at December 31, 2023, the Company had \$nil (December 31, 2022 - \$nil) receivable from related parties outstanding that were included in accounts receivable and \$190,664 (December 31, 2022 - \$51,549) payable from related parties that was included in accounts payable. The balances outstanding are unsecured, non-interest bearing and due on demand.

Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Compensation awarded to key management for the year ended December 31, 2023, 2022 included:

For the years ended December 31,	2023	2022	2021
Director fees	\$ 600,933	\$ 522,349	\$ 370,094
Salaries	979,154	843,917	722,068
Share-based payments	1,109,232	2,106,906	2,475,949
	<u>\$ 2,689,319</u>	<u>\$ 3,473,172</u>	<u>\$ 3,568,111</u>

Other related parties

For the years ended December 31,	2023	2022	2021
Management fees paid to a company controlled by CEO and director	\$ 592,500	\$ 466,487	\$ 290,225
Management fees paid to a company that the CEO holds an economic interest in	429,766	442,485	315,643
Management fees paid to a company controlled by a director	215,019	383,288	205,691
	<u>\$ 1,237,285</u>	<u>\$ 1,392,260</u>	<u>\$ 811,559</u>

Share Capital

Common shares issued

	Number of Common Shares	Share Capital
Balance, December 31, 2021	33,168,946	\$ 81,038,365
Shares issued for exercise of warrants	16,538	87,170
Share issue costs	-	(5,122)
Shares issued for exercise of RSUs	1,072,595	2,427,801
Shares issued for exercise of stock options	12,500	51,875
Balance, December 31, 2022	<u>34,270,579</u>	<u>\$ 83,600,089</u>
Shares issued for financing	13,450,729	13,125,176
Share issue costs	—	(2,295,022)
Shares issued for exercise of RSU's	1,508,255	2,640,733
Balance, December 31, 2023	<u>49,229,563</u>	<u>\$ 97,070,976</u>

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Draganfly Inc.
Management Discussion and Analysis
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Stock options

The following is the summary of the Company's stock option activity. Number of options and weighted average exercise prices in the table below are shown as they were outstanding, forfeited, granted, and exercised:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2021	1,035,991	\$ 4.60
Exercised	(12,500)	2.15
Forfeited	(146,334)	4.77
Outstanding, December 31, 2022	877,157	\$ 4.60
Exercised	(9,999)	3.77
Forfeited	30,000	0.63
Outstanding, December 31, 2023	897,158	\$ 4.48

Restricted Share Units (RSUs)

The following is the summary of the Company's RSU activity. Number of RSUs in the table below are shown as they were outstanding, exercised, forfeited, and granted:

	Number of RSUs
Outstanding, December 31, 2021	514,832
Exercised	(1,072,595)
Issued	1,820,972
Forfeited	(64,334)
Outstanding, December 31, 2022	1,198,875
Exercised	(1,508,255)
Issued	1,685,316
Forfeited	(262,969)
Outstanding, December 31, 2023	1,112,967

Warrants

During the year ended December 31, 2023, the Company issued 1,600,000 pre-funded warrants for a purchase price of \$0.5499USD with an exercise price of \$0.0001USD per unit. The Company also issued 6,400,000 warrants at an exercise price \$0.6123USD. Being in a currency that is not the Company's functional currency these warrants are required to be recorded as a financial liability. As a financial liability, the portion of the warrants related to the future exercise price will be revalued on every reporting period to fair market value with the change in fair value being recorded in profit or loss. All of the above warrants have a 5 year term, expiring October 30, 2028 and vest immediately. 320,000 underwriter warrants were issued as part of the transaction with an exercise price of \$0.6875USD and a term of 3 years. These warrants were treated as share issue costs.

To reach a fair value of the USD Warrants, a Black Scholes calculation is used, calculated in USD as the Company also trades on the Nasdaq. The Black Scholes value per USD Warrant is then multiplied by the number of outstanding warrants and then multiplied by the foreign exchange rate at the end of the period. At the date of issue the warrants were valued with a risk free rate of 4.8%, volatility of 115.35%, expected life of 5 years and an expected dividend yield rate of 0%. The broker warrants were valued with a risk free rate of 4.87%, volatility of 138.83%, expected life of 3 years and an expected dividend yield of 0%.

Balance at December 31, 2021	\$	4,865,772
Change in fair value of warrants outstanding		(4,865,772)
Balance at December 31, 2022	\$	-
Warrants issued		3,985,015
Change in fair value of warrants outstanding		211,110
Balance at December 31, 2023	\$	4,196,125

Derivative liability balance at	December 31, 2023	December 31, 2022
Warrants	\$ 4,196,125	\$ -
Contingent consideration	-	57,314
Ending balance	\$ 4,196,125	\$ 57,314

The derivative financial liability consists of the fair value of the non-compensatory share purchase warrants that have exercise prices that differ from the functional currency of the Company and are within the scope of IAS 32 “Financial Instruments: Presentation”. Details of these warrants and their fair values are as follows:

Issue Date	Exercise Price	Number of Warrants Outstanding at December 31, 2023	Fair Value at December 31, 2023	Number of Warrants Outstanding at December 31, 2022	Fair Value at December 31, 2022
February 5, 2021 (1)	USD\$ 3.55	-	\$ -	1,319,675	\$ -
March 5, 2021 (2)	USD\$ 3.55	-	-	5,142,324	-
October 30, 2023 (3)	USD\$ 0.6123	6,400,000	3,180,543	-	-
October 30, 2023 (4)	USD\$ 0.0001	1,600,000	1,015,582	-	-
		8,000,000	\$ 4,196,125	6,461,999	\$ -

- 1) The warrants expired on February 5, 2023.
- 2) The warrants expired on March 5, 2023.
- 3) The warrants expire October 30, 2028
- 4) The warrants have no expiry date

The following is the summary of the Company’s warrant activity. Number of warrants and weighted average exercise prices in the table below are shown as they were outstanding, exercised, forfeited, and granted:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2021	8,414,819	\$ 4.99
Exercised	(16,538)	4.51
Expired	(481,484)	4.61
Outstanding, December 31, 2022	7,917,797	\$ 5.08
Issued	8,320,000	0.50
Expired	(7,661,999)	5.89
Outstanding, December 31, 2023	8,574,798	\$ 0.63

As at December 31, 2023, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price	Number of warrants outstanding
July 29, 2021	July 29, 2024	US\$ 5.00	250,000
September 14, 2021	September 14, 2024	US\$ 5.00	4,798
October 30, 2023	October 30, 2026	US\$ 0.6875	320,000
October 30, 2023	October 30, 2028	US\$ 0.6123	6,400,000
October 30, 2023	No expiry date	US\$ 0.0001	1,600,000
			8,574,798

The weighted average remaining contractual life of warrants outstanding as of December 31, 2023, was 4.63 years (December 31, 2022 – 0.47 years).

There were 1,200,000 warrants issued on March 22, 2021 to acquire Vital. At December 31, 2022 900,000 of the warrants are currently held in escrow, to be released upon completion of the milestones. The milestones were related to the recognition of revenue on the related acquisition in range of \$2,000,000 to \$6,000,000 which was not met. The warrants expired on March 25, 2023.

Critical Accounting Policies and Estimates

Significant estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions about reported amounts at the date of the consolidated financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Share-based payments

The cost of share-based payment transactions with directors, officers and employees are measured by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk-free interest rate, expected forfeiture rate and dividend yield.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined with reference to the estimated selling price less costs to sell. The Company estimates selling price based upon assumptions about future demand and current and anticipated retail market conditions. The future realization of these inventories may be affected by future technology or other market- driven changes that may reduce future selling prices.

Investments in Private companies

Where the fair value of investments in private companies recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value and this value may not be indicative of the eventual recoverable value.

Expected credit losses on trade receivables and notes receivable

When determining expected credit losses (“ECLs”), the Company considers the historic credit losses observed by the Company, customer-specific payment history and economic conditions. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL’s, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience, informed credit assessment and forward-looking information.

Useful lives of equipment and intangible assets

Estimates of the useful lives of equipment and intangible assets are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of the relevant assets may be based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the equipment would increase the recorded expenses and decrease the non-current assets.

Other Significant judgements

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied to the Company’s consolidated financial statements include:

- The assessment of the Company’s ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments;
- the assessment of revenue recognition using the five-step approach under IFRS 15 and the collectability of amounts receivable;
- the determination of whether a set of assets acquired and liabilities assumed constitute a business; and
- the determination of the functional currency of each entity in the group.

Foreign currency translation

Transactions in foreign currencies are translated into the functional currency at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at the reporting period rate of exchange. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses resulting from foreign exchange adjustments are included in profit or loss.

The functional currencies of the parent company and each subsidiary are as follows:

Draganfly Inc.	Canadian Dollar
Draganfly Innovations Inc.	Canadian Dollar
Draganfly Innovations USA, Inc.	US Dollar
Dronelogics Systems Inc.	Canadian Dollar

Financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars as follows: all asset and liability accounts are translated at the year-end exchange rate and all revenue and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as exchange differences on translation of foreign operations in other comprehensive loss.

Share-based payments

The Company may grant stock options or restricted share units (“RSU’s”) to its directors, officers, employees and consultants. The Company records share-based compensation related to stock options using the Black-Scholes Option Pricing Model.

The RSU’s granted entitle an employee, director or officer to either the issuance of common shares or cash payments payable upon vesting with terms determined by the Company’s Board of Directors at the time of the grant. If on the grant date it is determined there is an obligation to settle in cash, the RSU’s are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and on the settlement date. Changes in fair value are recognized in profit and loss. Expense is recognized over the vesting period.

The Company has a present obligation to settle in cash if the choice of settlement in shares has no commercial substance, or the Company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement. If no such obligation exists, RSUs are accounted for as equity settled share-based payments and are valued using the share price on grant date. Upon settlement:

- a) If the Company elects to settle in cash, the cash payment is accounted for as the repurchase of an equity interest (i.e. as a deduction from equity), except as noted in (c) below.
- b) If the Company elects to settle by issuing shares, the value of RSUs initially recognized in reserves is reclassified to share capital, except as noted in (c) below.
- c) If the Company elects the settlement alternative with the higher fair value, as at the date of settlement, the Company recognizes an additional expense for the excess value given (i.e. the difference between the cash paid

and the fair value of shares that would otherwise have been issued, or the difference between the fair value of the shares and the amount of cash that would otherwise have been paid, whichever is applicable).

The aggregate sales price or amount of common shares issued during any consecutive 12-month period will not exceed the greatest of the following: (i) USD \$1,000,000; (ii) 15% of the total assets of the Company, measured at the Company's most recent balance sheet date; or (iii) 15% of the outstanding amount of the common shares of the Company, measured at the Company's most recent balance sheet date. At the election of the Board of Directors, upon each vesting date, participants receive (a) the issuance of common shares from treasury equal to the number of RSUs vesting, or (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a common share, calculated as the closing price of the common shares on the CSE for the trading day immediately preceding such payment date; or (c) a combination of (a) and (b).

In conjunction with private placements or brokered financings, the Company may issue compensatory warrants to agents as consideration for services provided. Awards of grants are accounted for in accordance with the fair value method of accounting and result in an increase in share issue costs and a credit to warrants within shareholders' equity when warrants are issued.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the year.

Diluted income per share is calculated by dividing the profit attributable to common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares. The Company had 8,574,798 warrants, 897,158 options and 1,112,967 RSU's that would be potentially dilutive if the Company were not in a loss position and were to calculate diluted income per share.

Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9 Financial Instruments: Classification and Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Financial assets/liabilities</u>	<u>Classification</u>
Cash and cash equivalents	Fair value through profit or loss
Receivables	Amortized cost
Notes receivable	Fair value through profit or loss
Investments	Fair value through other comprehensive income
Trade payables	Amortized cost
Customer deposits	Amortized cost
Loans payable	Amortized cost
Derivative liability	Fair value through profit or loss

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Draganfly Inc.
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For the year ended December 31, 2023

a) Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the cash flows are not solely principal and interest, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are recorded to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recorded to profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

b) *Financial liabilities*

The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. Trade payables, customer deposits and loans payable are included in this category.

Derecognition of financial liabilities

Financial liabilities are derecognized when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually, whether or not there is any indication that it may be impaired:

- an intangible asset with an indefinite useful life; and
- an intangible asset not yet available for use;

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed in a subsequent period when there has been an increase in the recoverable amount of a previously impaired asset or CGU. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

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Current income taxes relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Inventory

Inventory consists of raw materials and finished goods for manufacturing of multi-rotor helicopters, industrial areal video systems, civilian small unmanned aerial systems or vehicles, health monitoring equipment, and wireless video systems. Inventory is initially valued at cost and subsequently at the lower of cost and net realizable value. Cost is determined using the first-in-first-out method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes and transport, handling and other costs directly attributable to the acquisition of finished goods, materials or services. The costs of conversion include direct materials and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and consulting services in the ordinary course of the Company's business. Revenue is shown net of return allowances and discounts.

Sales of goods

The Company manufactures and sells a range of multi-rotor helicopters, industrial aerial video systems, and civilian small unmanned aerial systems or vehicles. Sales are recognized at a point-in-time when control of the products has transferred. The control transfer for Dronelogics Systems Inc. (“Dronelogics”) and Draganfly Innovations USA, Inc. is when the products are shipped to the customer and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. At this point revenue is recognized. For Draganfly Innovations Inc. transfer occurs for sales outside of North America when shipped and for sales within North America on delivery which occurs in proximity to shipping. Revenue is recognized when the transfer of control has occurred.

Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts and returns. Accumulated experience is used to estimate and provide for the discounts and returns, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. To date, returns have not been significant. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

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Some contracts include multiple performance obligations, such as the sale of hardware and support or maintenance. Where support or maintenance is performed by another party and does not include an integration service it is accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on stand-alone selling price. Where the stand-alone selling price is not directly observable, the price is estimated based on expect cost plus margin. Where the support or maintenance is provided by the Company, the contract is analyzed to identify the performance obligations and transaction price. The price is then allocated across the obligations identified in the contract. Revenue is recognized when the Company satisfies a performance obligation.

Services

The Company provides consulting, custom engineering, drones as a service, and investigating and solving on a project-by-project basis under fixed-price and variable price contracts. Revenue from providing services is recognized over time as the services are rendered.

The Company provides rental of equipment which is measured based on rates through contracts or other written agreements with customers. Revenue is recognized in the period when services are performed and only when there is reasonable assurance that the revenue will be collected.

Deferred Income

A payment received is included as deferred revenue when products have yet be shipped to the customers as of the period end or there are unfulfilled obligations related to the revenue received. The amount to be recognized within twelve months following the year-end date is classified as current.

Cost of Goods Sold

Cost of sales includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight costs, as well as provisions for reserves related to product shrinkage, or lower of cost and net realizable value adjustments as required.

Intangible Assets

An intangible asset is an identifiable asset without physical substance. An asset is identifiable if it is separable, or arises from contractual or legal rights, regardless of whether those rights are transferrable or separable from the Company or from other rights and obligations. Intangible assets include intellectual property, which consists of patent and trademark applications, brands and software.

Intangible assets acquired externally are measured at cost less accumulated amortization and impairment losses. The cost of a group of intangible assets acquired is allocated to the individual intangible assets based on their relative fair values. The cost of intangible assets acquired externally comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Research and development costs incurred subsequent to the acquisition of externally acquired intangible assets and on internally generated intangible assets are accounted for as research and development costs.

Intangible assets with finite useful lives are amortized on a straight-line basis over the expected life of each intellectual property to write off the cost of the assets from the date they are available for use.

<u>Class of intangible asset</u>	<u>Useful live</u>
Customer relationship	5 years
Brand	5 years
Software	5 years
Patents	5 years

Goodwill represents the excess of the value of the consideration transferred over the fair value of the net identifiable assets and liabilities acquired in a business combination. Goodwill is allocated to the cash generating unit to which it relates.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive loss.

Depreciation is generally calculated on a declining balance method to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation for leasehold improvements is fully expensed over the expected term of the lease. The depreciation rates applicable to each category of equipment are as follows:

<u>Class of equipment</u>	<u>Depreciation rate</u>
Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	Expected lease term
Vehicles	30%

Research and development expenditures

Expenditures on research are expensed as incurred. Research activities include formulation, design, evaluation and final selection of possible alternatives, products, processes, systems or services. Development expenditures are expensed as incurred unless the Company can demonstrate all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) its intention to complete the intangible asset and use or sell it;
- (iii) its ability to use or sell the intangible asset;
- (iv) how the intangible asset will generate probable future economic benefits. The Company can also demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Government assistance

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the cost of the asset is reduced by the amount of the grant and the grant is recognized as income in equal amounts over the expected useful life of the asset.

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Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, the lease liability is recognized at the present value of the future lease payments and discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate. A corresponding right-of-use ("ROU") asset will be recognized at the amount of the lease liability, adjusted for any lease incentives received and initial direct costs incurred. Over the term of the lease, financing expense is recognized on the lease liability using the effective interest rate method and charged to net income, lease payments are applied against the lease liability and depreciation on the ROU asset is recorded by class of underlying asset.

The lease term is the non-cancellable period of a lease and includes periods covered by an optional lease extension option if reasonably certain the Company will exercise the option to extend. Conversely, periods covered by an option to terminate are included if the Company does not expect to end the lease during that time frame. Leases with a term of less than twelve months or leases for underlying low value assets are recognized as an expense in net income on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if it materially changes the scope of the lease. For a modification that is not a separate lease, on the effective date of the lease modification, the Company will remeasure the lease liability and corresponding ROU asset using the interest rate implicit in the lease or the Company's incremental borrowing rate. Any variance between the remeasured ROU asset and lease liability will be recognized as a gain or loss in net income to reflect the change in scope.

Business Risks

The Company does engage in significant transactions and activities in currencies other than its functional currency. Depending on the timing of the transactions and the applicable currency exchange rates such conversions may positively or negatively impact the Company.

An investment in the Company's Common Shares is highly speculative and involves significant risks. **In addition to the other information contained in this MD&A and the documents incorporated by reference herein and therein, you should review and carefully consider the risks described herein.** The risks described herein are not the only risk factors facing us and should not be considered exhaustive. Additional risks and uncertainties not currently known to us, or that we currently consider immaterial, may also materially and adversely affect our business, operations and condition, financial or otherwise.

Risks Related to the Company, its Business and Industry

The Company has a history of losses.

The Company has incurred net losses since its inception. The Company cannot assure that it can become profitable or avoid net losses in the future or that there will be any earnings or revenues in any future quarterly or other periods. The Company expects that its operating expenses will increase as it grows its business, including expending substantial resources for research, development and marketing. As a result, any decrease or delay in generating revenues could result in material operating losses.

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A shareholder's holding in the Company may be diluted if the Company issues additional Common Shares or other securities in the future.

The Company may issue additional Common Shares or other securities in the future, which may dilute a shareholder's holding in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders have no pre-emptive rights in connection with further issuances of any securities. The directors of the Company have the discretion to determine if an issuance of Common Shares or other securities is warranted, the price at which any such securities are issued and the other terms of issue of Common Shares or securities. In addition, the Company may issue additional Common Shares upon the exercise of incentive stock options to acquire Common Shares under its share compensation plan or upon the exercise or conversion of other outstanding convertible securities of the Company, which will result in further dilution to shareholders. In addition, the issuance of Common Shares or other securities in any potential future acquisitions, if any, may also result in further dilution to shareholder interests.

The Company expects to incur substantial research and development costs and devote significant resources to identifying and commercializing new products and services, which could significantly reduce its profitability and may never result in revenue to the Company.

The Company's future growth depends on penetrating new markets, adapting existing products to new applications, and introducing new products and services that achieve market acceptance. The Company plans to incur substantial research and development costs as part of its efforts to design, develop and commercialize new products and services and enhance its existing products. The Company believes that there are significant opportunities in a number of business areas. Because the Company accounts for research and development costs as operating expenses, these expenditures will adversely affect its earnings in the future. Further, the Company's research and development programs may not produce successful results, and its new products and services may not achieve market acceptance,

create any additional revenue or become profitable, which could materially harm the Company's business, prospects, financial results and liquidity.

Shortfalls in available external research and development funding could adversely affect the Company.

The Company depends on its research and development activities to develop the core technologies used in its UAV products and for the development of the Company's future products. A portion of the Company's research and development activities can depend on funding by commercial companies and the Canadian government. Canadian government and commercial spending levels can be impacted by a number of variables, including general economic conditions, specific companies' financial performance and competition for Canadian government funding with other Canadian government-sponsored programs in the budget formulation and appropriation processes. Moreover, the Canadian, federal and provincial governments provide energy rebates and incentives to commercial companies, which directly impact the amount of research and development that companies appropriate for energy systems. To the extent that these energy rebates and incentives are reduced or eliminated, company funding for research and development could be reduced. Any reductions in available research and development funding could harm the Company's business, financial condition and operating results.

The Company's adoption of new business models could fail to produce any financial returns.

Forecasting the Company's revenues and profitability for new business models is inherently uncertain and volatile. The Company's actual revenues and profits for its business models may be significantly less than the Company's forecasts. Additionally, the new business models could fail for one or more of the Company's products and/or services, resulting in the loss of Company's investment in the development and infrastructure needed to support the new business models, and the opportunity cost of diverting management and financial resources away from more successful businesses.

The Company will be affected by operational risks and may not be adequately insured for certain risks.

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's technologies, personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

The Company operates in evolving markets, which makes it difficult to evaluate the Company's business and future prospects.

The Company's unmanned aerial vehicles ("UAVs") are sold in rapidly evolving markets. The commercial UAV market is in early stages of customer adoption. Accordingly, the Company's business and future prospects may be difficult to evaluate. The Company cannot accurately predict the extent to which demand for its products and services

will increase, if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact the Company's ability to do the following:

- generate sufficient revenue to reach and maintain profitability;
- acquire and maintain market share;
- achieve or manage growth in operations;
- develop and renew contracts;
- attract and retain additional engineers and other highly-qualified personnel;
- successfully develop and commercially market new products;
- adapt to new or changing policies and spending priorities of governments and government agencies; and
- access additional capital when required and on reasonable terms.

If the Company fails to address these and other challenges, risks and uncertainties successfully, its business, results of operations and financial condition would be materially harmed.

The Company operates in a competitive market.

The Company faces competition and new competitors will continue to emerge throughout the world. Services offered by the Company's competitors may take a larger share of consumer spending than anticipated, which could cause revenue generated from the Company's products and services to fall below expectations. It is expected that competition in these markets will intensify.

If competitors of the Company develop and market more successful products or services, offer competitive products or services at lower price points, or if the Company does not produce consistently high-quality and well-received products and services, revenues, margins, and profitability of the Company will decline.

The Company's ability to compete effectively will depend on, among other things, the Company's pricing of services and equipment, quality of customer service, development of new and enhanced products and services in response to customer demands and changing technology, reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Company adds new customers, a decrease in the size of the Company's market share and a decline in its customers. Examples include but are not limited to competition from other companies in the UAV industry.

In addition, the Company could face increased competition should there be an award of additional licenses in jurisdictions in which the Company operates in.

The markets in which the Company competes are characterized by rapid technological change, which requires the Company to develop new products and product enhancements and could render the Company's existing products obsolete.

Continuing technological changes in the market for the Company's products could make its products less competitive or obsolete, either generally or for particular applications. The Company's future success will depend upon its ability to develop and introduce a variety of new capabilities and enhancements to its existing product and service offerings, as well as introduce a variety of new product offerings, to address the changing needs of the markets in which it offers products.

Delays in introducing new products and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause existing and potential customers to purchase the Company's competitors' products.

If the Company is unable to devote adequate resources to develop new products or cannot otherwise successfully develop new products or enhancements that meet customer requirements on a timely basis, its products could lose market share, its revenue and profits could decline, and the Company could experience operating losses.

Failure to obtain necessary regulatory approvals from Transport Canada or other governmental agencies, or limitations put on the use of small UAV in response to public privacy concerns, may prevent the Company from expanding sales of its small UAV to non-military customers in Canada.

Transport Canada is responsible for establishing, managing, and developing safety and security standards and regulations for civil aviation in Canada, and includes unmanned civil aviation (drones). Civil operations include law enforcement, scientific research, or use by private sector companies for commercial purposes. The Canadian Aviation Regulations ("CARs") govern civil aviation safety and security in Canada, and by extension govern operation of drones in Canada to an acceptable level of safety.

While Transport Canada has been a leader in the development of regulations for the commercial use of remotely piloted aircraft systems ("RPAS") and continues to move forward rapidly with its regulatory development, it has acknowledged the challenge of regulations keeping pace with the rapid development in technology and the growing demand for commercial RPAS use, particularly in the beyond visual line-of-sight environment. In 2012, the Canadian Aviation Regulation Advisory Council UAS working group released its Phase 2 report which outlined a proposed set of revision to the CARs to permit beyond visual line of sight operations. This report was the basis for the recently released Notice of Proposed Amendment ("NPA") by Transport Canada on lower risk beyond visual line-of-sight.

Failure to obtain necessary regulatory approvals from Transport Canada or other governmental agencies, including the granting of certain Special Flight Operations Certificates ("SFOCs"), or limitations put on the use of RPAS in response to public safety concerns, may prevent the Company from testing or operating its aircraft and/or expanding its sales which could have an adverse impact on the Company's business, prospects, results of operations and financial condition.

There are risks associated with the regulatory regime and permitting requirements of the Company's business.

A significant portion of the Company's business is based on the operation of RPAS. The operation of RPAS poses a risk or hazard to airspace users as well as personnel on the ground. As the RPAS industry is rapidly developing, the regulatory environment for RPAS is constantly evolving to keep pace. As such, whenever a policy change with respect to operating regulations occurs, there is a risk that the Company could find itself to be in non-compliance with these new regulations. While the Company endeavours to take all necessary action to reduce the risks associated with the operations of RPAS and to remain well-informed and up-to-date on any addendums and changes to the applicable regulations, there is no assurance that an incident involving an RPAS or the Company's non-compliance would not create a significant current or future liability for the company.

The regulation of RPAS operations within the Canadian Domestic Airspace ("CDA") is still evolving and is expected to continue to change with the proliferation of RPAS, advancements in technology, and standardization within the industry. Changes to the regulatory regime may be disruptive and result in the Company needing to adopt significant changes in its operations and policies, which may be costly and time-consuming, and may materially adversely affect the Company's ability to manufacture and make delivery of its products and services in a timely fashion.

The Company's business and research and development activities are subject to oversight by Transport Canada, the federal institution responsible for transportation policies and programs, including the rules in the CARs. Currently, Transport Canada requires that any non-recreational operators of RPAS have a SFOC. The Company's ability to develop, test, demonstrate, and sell products and services depends on its ability to acquire and maintain a valid SFOC.

In addition, there exists public concern regarding the privacy implications of Canadian commercial and law enforcement use of small UAV. This concern has included calls to develop explicit written policies and procedures establishing UAV usage limitations. There is no assurance that the response from regulatory agencies, customers and privacy advocates to these concerns will not delay or restrict the adoption of small UAV by prospective non-military customers.

The Company may be subject to the risks associated with future acquisitions.

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Any such future acquisitions, if completed, may expose the Company to additional potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

The Company's inability to retain management and key employees could impair the future success of the Company.

The Company's future success depends substantially on the continued services of its executive officers and its key development personnel. If one or more of its executive officers or key development personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose experience, know-how, key professionals and staff members as well as business partners. These executive officers and key employees could develop drone technologies that could compete with and take customers and market share away from the Company.

The Company faces uncertainty and adverse changes in the economy.

Adverse changes in the economy could negatively impact the Company's business. Future economic distress may result in a decrease in demand for the Company's products, which could have a material adverse impact on the Company's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing and publishing products, increase the cost and decrease the availability of sources of financing, and increase the Company's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Company.

The Company is subject to certain market-based financial risks associated with its operations.

The Company could be subject to interest rate risks, which is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the

Company manages exposure through its normal operating and financing activities, however market fluctuations could increase the costs at which the Company can access capital and its ability to obtain financing and the Company's cash balances carry a floating rate of interest. In addition, the Company engages in transactions in currencies other than its functional currency. Depending on the timing of these transactions and the applicable currency exchange rates, conversions to the Company's functional currency may positively or negatively impact the Company.

Negative macroeconomic and geopolitical trends could affect demand for the Company's products and its ability to access sources of capital.

There can be no assurance that the Company's business and corresponding financial performance will not be adversely affected by general negative economic or consumer trends or events, including pandemics, public health crises, weather catastrophes, acts of terrorism, war, and political instability. In particular, global economic markets have seen extensive volatility over the past few years owing to the outbreak of the COVID-19 pandemic, the war between Russia and Ukraine, and the war between Israel and Hamas, the closing of certain financial institutions by regulators in March 2023, and political instability. These events have created, and may continue to create, significant disruption of the global economy, supply chains and distribution channels, and financial and labor markets. If such conditions continue, recur or worsen, this may have a material adverse effect on the Company's business, financial condition and results of operations as consumer demand and its ability to access capital on favorable terms, or at all, could be negatively impacted as a result of such conditions and consequences. Furthermore, such economic conditions have produced downward pressure on share prices and on the availability of credit for financial institutions and corporations while also driving up interest rates, further complicating borrowing and lending activities. If current levels of market disruption and volatility continue or increase, the Company might experience reductions in business activity, increases in funding costs, decreases in asset values, additional write-downs and impairment charges and lower profitability.

The Company may be subject to the risks associated with foreign operations in other countries.

The Company's primary revenues are expected to be achieved in Canada and the US. However, the Company may expand to markets outside of North America and become subject to risks normally associated with conducting business in other countries. As a result of such expansion, the Company may be subject to the legal, political, social and regulatory requirements and economic conditions of foreign jurisdictions. The Company cannot predict government positions on such matters as foreign investment, intellectual property rights or taxation. A change in government positions on these issues could adversely affect the Company's business.

If the Company expands its business to foreign markets, it will need to respond to rapid changes in market conditions, including differing legal, regulatory, economic, social and political conditions in these countries. If the Company is not able to develop and implement policies and strategies that are effective in each location in which it does business, then the Company's business, prospects, results of operations and financial condition could be materially and adversely affected.

There are tax risks the Company may be subject to in carrying on business in Canada.

The Company is a resident of Canada for purposes of the *Income Tax Act* (Canada) (the "Tax Act"). Since the Company is operating in a new and developing industry there is a risk that foreign governments may look to increase their tax revenues or levy additional taxes to level the playing field for perceived disadvantages to traditional brick and mortar businesses. There is no guarantee that governments will not impose such additional adverse taxes in the future.

If critical components or raw materials used to manufacture the Company's products become scarce or unavailable, then the Company may incur delays in manufacturing and delivery of its products, which could damage its business.

The Company obtains hardware components, various subsystems and systems from a limited group of suppliers. The Company does not have long-term agreements with any of these suppliers that obligate it to continue to sell components, subsystems, systems or products to the Company. The Company's reliance on these suppliers involves significant risks and uncertainties, including whether its suppliers will provide an adequate supply of required

components, subsystems, or systems of sufficient quality, will increase prices for the components, subsystems or systems and will perform their obligations on a timely basis.

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The global supply chain has experienced significant disruptions recently, caused by the COVID-19 pandemic and by geopolitical conflict, including the wars in Ukraine and Gaza, and the possibility of widening conflict in the Middle East. These disruptions have impacted a variety of products and goods and have had various downstream effects, making it more difficult to reliably and timely source and supply goods and has also resulted in shortages of labor and equipment. The macroeconomic impacts of the COVID-19 pandemic and global conflicts, including the disruption of global shipping lanes in the Middle East, have contributed to inflationary pressure, rising interest rates, and increased market volatility, adding additional pricing uncertainty. These conditions, if not mitigated or remedied in a timely manner, could delay or preclude delivery of raw materials needed to manufacture the Company's products or delivery of its products to customers, particularly in international markets. If the Company is unable to obtain components from third-party suppliers in the quantities and of the quality that it requires, on a timely basis and at acceptable prices, then it may not be able to deliver its products on a timely or cost-effective basis to its customers, or at all, which could cause customers to terminate their contracts with the Company, increase the Company's costs and seriously harm its business, results of operations and financial condition. Moreover, if any of the Company's suppliers become financially unstable, then it may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to redesign the Company's products to accommodate components from different suppliers. The Company may experience significant delays in manufacturing and shipping its products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if the Company loses any of these sources or is required to redesign its products. The Company cannot predict if it will be able to obtain replacement components within the time frames that it requires at an affordable cost, if at all.

Natural outdoor elements such as wind and precipitation may have a material adverse effect on the use and effectiveness of the Company's products.

The Company's business will involve the operation and flying of UAVs, a technology-based product used outside. As such, the business is subject to various risks inherent in a technology-based businesses operated in outdoor conditions, including faulty parts, breakdowns and crashes. Although the Company anticipates the use of its UAVs in good climactic conditions and that adequate flying conditions will be monitored by trained personnel, there can be no assurance that unpredictable natural outdoor elements, which could be exacerbated due to risks associated with climate change, will not have a material adverse effect on the use and effectiveness of its products.

The Company's products may be subject to recall or return.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, safety concerns, packaging issues and inadequate or inaccurate labeling disclosure. If any of the Company's equipment were to be recalled due to an alleged product defect, safety concern or for any other reason, the Company could be required to incur unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management time and attention. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Transport Canada or other regulatory agencies, requiring further management time and attention and potential legal fees, costs and other expenses.

If the Company releases defective products or services, its operating results could suffer.

Products and services designed and released by the Company involve extremely complex software programs and are difficult to develop and distribute. While the Company has quality controls in place to detect and prevent defects in its products and services before they are released, these quality controls are subject to human error, overriding, and reasonable resource constraints. Therefore, these quality controls and preventative measures may not be effective in detecting and preventing defects in the Company's products and services before they have been released into the marketplace. In such an event, the Company could be required, or decide voluntarily, to suspend the availability of the product or services, which could significantly harm its business and operating results.

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The Company's products and services are complex and could have unknown defects or errors, which may give rise to legal claims against the Company, diminish its brand or divert its resources from other purposes.

The Company's UAVs rely on complex avionics, sensors, user-friendly interfaces and tightly integrated, electromechanical designs to accomplish their missions. Despite testing, the Company's products have contained defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by the Company's customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in the Company's service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to the Company's reputation, any of which could materially harm the Company's results of operations and ability to achieve market acceptance. In addition, increased development and warranty costs could be substantial and could significantly reduce the Company's operating margins.

The existence of any defects, errors, or failures in the Company's products or the misuse of the Company's products could also lead to product returns, recalls, or liability claims or lawsuits against it. A defect, error or failure in one of the Company's UAV could result in injury, death or property damage and significantly damage the Company's reputation and support for its UAV in general. The Company anticipates this risk will grow as its UAV begins to be used in Canadian domestic airspace and urban areas. The Company's UAV test systems also have the potential to cause injury, death or property damage in the event that they are misused, malfunction or fail to operate properly due to unknown defects or errors.

Although the Company maintains insurance policies, it cannot provide any assurance that this insurance will be adequate to protect the Company from all material judgments and expenses related to potential future claims or that these levels of insurance will be available in the future at economical prices or at all. A successful product liability claim could result in substantial cost to us. Even if the Company is fully insured as it relates to a particular claim, the claim could nevertheless diminish the Company's brand and divert management's attention and resources, which could have a negative impact on the Company's business, financial condition and results of operations.

The Company could be prohibited from shipping its products to certain countries if it is unable to obtain Canadian government authorization regarding the export of its products, or if current or future export laws limit or otherwise restrict the Company's business.

The Company must comply with Canadian federal and provincial laws regulating the export of its products. In some cases, explicit authorization from the Canadian government is needed to export its products. The export regulations and the governing policies applicable to the Company's business are subject to change. The Company cannot provide assurance that such export authorizations will be available for its products in the future. Compliance with these laws has not significantly limited the Company's operations or sales in the recent past, but could significantly limit them in the future. Non-compliance with applicable export regulations could potentially expose the Company to fines,

penalties and sanctions. If the Company cannot obtain required government approvals under applicable regulations, the Company may not be able to sell its products in certain international jurisdictions, which could adversely affect the Company's financial condition and results of operations.

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Negative consumer perception regarding the Company's products could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company.

The Company believes the UAV industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the UAV used. Consumer perception of these products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the use of UAV. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to the UAV market. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of UAV based surveys in general, or the Company's products specifically, could have a material adverse effect.

If the Company fails to successfully promote its product brand, this could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company believes that brand recognition is an important factor to its success. If the Company fails to promote its brands successfully, or if the expenses of doing so are disproportionate to any increased net sales it achieves, it would have a material adverse effect on the Company's business, prospects, financial condition and results of operations. This will depend largely on the Company's ability to maintain trust, be a technology leader, and continue to provide high-quality and secure technologies, products and services. Any negative publicity about the Company or its industry, the quality and reliability of the Company's technologies, products and services, the Company's risk management processes, changes to the Company's technologies, products and services, its ability to effectively manage and resolve customer complaints, its privacy and security practices, litigation, regulatory activity, and the experience of sellers and buyers with the Company's products or services, could adversely affect the Company's reputation and the confidence in and use of the Company's technologies, products and services. Harm to the Company's brand can arise from many sources, including; failure by the Company or its partners to satisfy expectations of service and quality; inadequate protection of sensitive information; compliance failures and claims; litigation and other claims; employee misconduct; and misconduct by the Company's partners, service providers, or other counterparties. If the Company does not successfully maintain a strong and trusted brand, its business could be materially and adversely affected.

The Company may be subject to electronic communication security risks.

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Cyberattacks could result in unauthorized access to the Company's computer systems or its third-party IT service provider's systems and, if successful, misappropriate personal or confidential information. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary

information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

The last few years have seen an increase in the volume and sophistication of targeted cyber-attacks. A failure of the Company's IT infrastructure could severely limit the Company's ability to conduct ordinary operations or expose the Company to liability. To date, the Company's systems have functioned capably, and it has not experienced a material impact to its operations as a result of an IT infrastructure issue. Data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security. As a result, the Company may become subject to more extensive requirements to protect the customer information that it processes in connection with the purchase of its products, resulting in increased compliance costs.

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While the Company has taken measures to protect against cyberattacks, even the most well-protected IT networks, systems and facilities remain potentially vulnerable because the techniques used in attempted security breaches are continually evolving and generally are not recognized until launched against a target or, in some cases, are designed not to be detected and, in fact, may not be detected. Any such compromise of the Company's or its third party's IT service providers' data security and access, public disclosure, or loss of personal or confidential business information, could result in legal claims and proceedings, liability under laws to protect privacy of personal information, and regulatory penalties, and could disrupt the Company's operations, require significant management attention and resources to remedy any damages that result, and damage its reputation and customers willingness to transact business with us, any of which could adversely affect our business.

The Company's business could be adversely affected if its consumer protection and data privacy practices are not perceived as adequate or there are breaches of its security measures or unintended disclosures of its consumer data.

The rate of privacy law-making is accelerating globally and interpretation and application of consumer protection and data privacy laws in Canada, the United States, Europe and elsewhere are often uncertain, contradictory and in flux. As business practices are being challenged by regulators, private litigants, and consumer protection agencies around the world, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Company's data and/or consumer protection practices. If so, this could result in increased litigation government or court-imposed fines, judgments or orders requiring that the Company change its practices, which could have an adverse effect on its business and reputation. Complying with these various laws could cause the Company to incur substantial costs or require it to change its business practices in a manner adverse to its business.

The Company relies on its business partners, and they may be given access to sensitive and proprietary information in order to provide services and support to the Company's teams.

The Company relies on various business partners, including third-party service providers, vendors, licensing partners, development partners, and licensees, among others, in some areas of the Company's business. In some cases, these third parties are given access to sensitive and proprietary information in order to provide services and support to the Company's teams. These third parties may misappropriate the Company's information and engage in unauthorized use of it. The failure of these third parties to provide adequate services and technologies, or the failure of the third parties to adequately maintain or update their services and technologies, could result in a disruption to the Company's business operations. Further, disruptions in the financial markets and economic downturns may adversely affect the Company's business partners and they may not be able to continue honoring their obligations to the Company. Alternative arrangements and services may not be available to the Company on commercially reasonable terms or the

Company may experience business interruptions upon a transition to an alternative partner or vendor. If the Company loses one or more significant business partners, the Company's business could be harmed.

If the Company fails to protect, or incurs significant costs in defending, its intellectual property and other proprietary rights, the Company's business, financial condition, and results of operations could be materially harmed.

The Company's success depends, in large part, on its ability to protect its intellectual property and other proprietary rights. The Company relies primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect the Company's intellectual property and other proprietary rights. However, a portion of the Company's technology is not patented, and the Company may be unable or may not seek to obtain patent protection for this technology. Moreover, existing Canadian legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide the Company with any competitive advantages, and may be challenged by third parties. The laws of countries other than Canada may be even less protective of intellectual property rights. Accordingly, despite its efforts, the Company may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Company's technology. Unauthorized third parties may try to copy or reverse engineer the Company's products or portions of its products or otherwise obtain and use the Company's intellectual property.

Moreover, many of the Company's employees have access to the Company's trade secrets and other intellectual property. If one or more of these employees leave to work for one of the Company's competitors, then they may disseminate this proprietary information, which may as a result damage the Company's competitive position. If the Company fails to protect its intellectual property and other proprietary rights, then the Company's business, results of operations or financial condition could be materially harmed. From time to time, the Company may have to initiate lawsuits to protect its intellectual property and other proprietary rights. Pursuing these claims is time consuming and expensive and could adversely impact the Company's results of operations.

In addition, affirmatively defending the Company's intellectual property rights and investigating whether the Company is pursuing a product or service development that may violate the rights of others may entail significant expense. Any of the Company's intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If the Company resorts to legal proceedings to enforce its intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, then the proceedings could result in significant expense to the Company and divert the attention and efforts of the Company's management and technical employees, even if the Company prevails.

Obtaining and maintaining the Company's patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and its patent protection could be reduced or eliminated for non-compliance with these requirements.

The Canadian Intellectual Property Office ("CIPO"), the United States Patent and Trademark Office ("USPTO") and various foreign national or international patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. Periodic maintenance fees on any issued patent are due to be paid to the CIPO, the USPTO and various foreign national or international patent agencies in several stages over the lifetime of the patent. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss

of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of patent rights include, but are not limited to, failure to timely file national and regional stage patent applications based on the Company's international patent application, failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. If the Company fails to maintain the patents and patent applications covering its product candidates, its competitors might be able to enter the market, which would have a material adverse effect on the Company's business.

While a patent may be granted by a national patent office, there is no guarantee that the granted patent is valid. Options exist to challenge the validity of a patent which, depending upon the jurisdiction, may include re-examination, opposition proceedings before the patent office, and/or invalidation proceedings before the relevant court. Patent validity may also be the subject of a counterclaim to an allegation of patent infringement.

Pending patent applications may be challenged by third parties in protest or similar proceedings. Third parties can typically submit prior art material to patentability for review by the patent examiner. Regarding Patent Cooperation Treaty applications, a positive opinion regarding patentability issued by the International Searching Authority does not guarantee allowance of a national application derived from the Patent Cooperation Treaty application. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and the patent's scope can be modified after issuance. It is also possible that the scope of claims granted may vary from jurisdiction to jurisdiction.

The grant of a patent does not have any bearing on whether the invention described in the patent application would infringe the rights of earlier filed patents. It is possible to both obtain patent protection for an invention and yet still infringe the rights of an earlier granted patent.

The Company may be sued by third parties for alleged infringement of their proprietary rights, which could be costly, time-consuming and limit the Company's ability to use certain technologies in the future.

The Company may become subject to claims that its technologies infringe upon the intellectual property or other proprietary rights of third parties. Any claims, with or without merit, could be time-consuming and expensive, and could divert the Company's management's attention away from the execution of its business plan. Moreover, any settlement or adverse judgment resulting from these claims could require the Company to pay substantial amounts or obtain a license to continue to use the disputed technology, or otherwise restrict or prohibit the Company's use of the technology.

The Company cannot assure that it would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all, that the Company would be able to develop alternative technology on a timely basis, if at all, or that the Company would be able to obtain a license to use a suitable alternative technology to permit the Company to continue offering, and the Company's customers to continue using, the Company's affected product. An adverse determination also could prevent the Company from offering its products to others. Infringement claims asserted against the Company may have a material adverse effect on its business, results of operations or financial condition.

The Company may not be able to protect its intellectual property rights throughout the world.

Filing, prosecuting, and defending patents on all of the Company's product candidates throughout the world would be prohibitively expensive. Therefore, the Company has filed applications and/or obtained patents only in key markets including the United States and Canada. Competitors may use the Company's technologies in jurisdictions where it

has not obtained patent protection to develop their own products and their products may compete with products of the Company.

If the Company is required to write down goodwill and other intangible assets, the Company's financial condition and results could be negatively affected.

Goodwill impairment arises when there is deterioration in the capabilities of acquired assets to generate cash flows, and the fair value of the goodwill dips below its book value. The Company is required to review its goodwill for impairment at least annually. Events that may trigger goodwill impairment include deterioration in economic conditions, increased competition, loss of key personnel, and regulatory action. Should any of these occur, an impairment of goodwill relating to the acquisition of Dronelogics Systems Inc. could have a negative effect on the assets of the Company.

From time to time, the Company may become involved in legal proceedings, which could adversely affect the Company.

The Company may, from time to time in the future, become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy, and disruptive to normal business operations. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on the Company's business, operating results, or financial condition.

The Company's directors and officers may have conflicts of interest in conducting their duties.

Because directors and officers of the Company are or may become directors or officers of other reporting companies or have significant shareholdings in other technology companies, the directors and officers of the Company may have conflicts of interest in conducting their duties. The Company and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against a particular matter in which the director has the conflict. In appropriate cases, the Company will establish a special committee of independent directors to review a particular matter in which several directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

The Company's Articles provide that the Company must indemnify a director or former director against all judgments, penalties or fines to which such person is or may be liable by reason of such person being or having been a director of the Company and the executive officers and directors may also have rights to indemnification from the Company, including pursuant to directors' and officers' liability insurance policies, that will survive termination of their agreements.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the Company's reported financial results or financial condition.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the Company's reported financial results or financial condition. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Company's business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change the Company's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Risks Related to Our Common Shares

The market price of the Common Shares may be highly volatile.

The market price of the Common Shares is highly volatile and has been subject to wide fluctuations in response to a number of factors that are beyond the Company's control, including but not limited to

- revenue or results of operations in any quarter failing to meet the expectations, published or otherwise, of the investment community;
- actual or anticipated changes or fluctuations in its results of operations;
- announcements by us or the Company's competitors of new products or new or terminated significant contracts, commercial relationships or capital commitments;
- rumors and market speculation involving it or other companies in its industry;
- changes in its executive management team or the composition of the board of directors of the Company (the "Board");
- fluctuations in the share prices of other companies in the technology and emerging growth sectors;
- general market conditions and macroeconomic trends driven by factors outside the Company's control, such as pandemics, geopolitical conflicts, supply chain disruptions, market volatility, inflation, rising interest rate, political instability, and labor challenges, among other factors;
- actual or anticipated developments in its business or its competitors' businesses or the competitive landscape generally;
- litigation involving us, the Company's industry or both, or investigations by regulators into its operations or those of competitors;
- announced or completed acquisitions of businesses or technologies by the Company or its competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to its business;
- shareholder activism and related publicity;
- foreign exchange rates; and
- other risk factors as set out in this Annual Report and in the documents incorporated by reference into this Annual Report.

If the market price of the Company's Common Shares drops significantly, shareholders could institute securities class action lawsuits against it, regardless of the merits of such claims. Such a lawsuit could cause it to incur substantial costs and could divert the time and attention of management and other resources from the Company's business, which could harm its business, results of operations and financial condition.

There is no guarantee that an active trading market for the Company's Common Shares will be maintained on the CSE and/or Nasdaq. Investors may not be able to sell their Common Shares quickly or at the latest market price if the trading in our Common Shares is not active.

The Company's Common Shares are currently listed on the Canadian Stock Exchange ("CSE"), the Nasdaq Stock Market, LLC ("Nasdaq"), and the Frankfurt Stock Exchange, however, it shareholders may be unable to sell significant quantities of Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all and there can be no guarantee that an active trading market for the Common Shares may be maintained. There can be no assurance that there will be sufficient liquidity of its Common Shares on the trading market, and that we will continue to meet the listing requirements of the CSE, Nasdaq or any other public listing exchange.

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Failure to meet Nasdaq’s continued listing requirements could result in the delisting of the Company’s Common Shares, negatively impact the price of the Company’s Common Shares and negatively impact its ability to raise additional capital.

If the Company fails to satisfy the continued listing requirements of the Nasdaq, such as corporate governance requirements or the minimum closing bid price requirement, the exchange may take steps to delist the Company’s Common Shares. Such a delisting would likely have a negative effect on the price of the Company’s Common Shares and would impair shareholders’ ability to sell or purchase its Common Shares when they wish to do so.

As previously disclosed, on September 22, 2023, the Company received a letter from the Listing Qualifications Department of Nasdaq notifying the Company of its noncompliance with Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Rule”) by failing to maintain a minimum bid price for the Company’s common shares of at least \$1.00 per share for 30 consecutive business days. The Company was allowed an initial 180-day grace period, or until March 20, 2024, (the “Bid Price Compliance Period”), to regain compliance with the Bid Price Rule. To regain compliance with the Bid Price Rule the closing bid price of the Company’s common shares needed to be at least \$1.00 per share for a minimum of ten consecutive business days during the Bid Price Compliance Period.

On March 21, 2024, the Company received notification that it had failed to regain compliance with the Bid Price Rule and is not eligible for a second 180 day compliance period because of its failure to comply with the \$5 million minimum stockholders’ equity initial listing requirement for the period ended September 30, 2023. Unless the Company timely requests a hearing before an independent Nasdaq Hearings Panel (the “Nasdaq Panel”), the Company’s securities will be subject to delisting. Accordingly, the Company will request a hearing before the Nasdaq Panel. The hearing request will automatically stay any suspension or delisting action pending the hearing and the expiration of any additional extension period granted by the Nasdaq Panel following the hearing. In that regard, pursuant to the Nasdaq Listing Bid Price Rules, the Nasdaq Panel has the discretion to grant an additional extension period that can expire as late as September 17, 2024. At the hearing, the Company will be asked to provide a plan to regain compliance to the Nasdaq Panel. The Company intends to present a plan to regain compliance with the Bid Price Rule and request the continued listing of its common shares on Nasdaq pending such compliance. However, there can be no assurance that the Nasdaq Panel will grant the Company’s request or that the Company will ultimately regain compliance with all applicable requirements for continued listing on Nasdaq.

Future issuances of equity securities by us or sales by the Company’s existing shareholders may cause the price of its Common Shares to fall.

The market price of the Company’s Common Shares could decline as a result of issuances of securities or sales by its existing shareholders in the market, including by its directors, executive officers and significant shareholders, or the perception that these sales could occur. Sales of the Company’s Common Shares by shareholders might also make it more difficult for it to sell Common Shares at a time and price that it deems appropriate. The Company also expects to issue Common Shares in the future. Future issuances of Common Shares, or the perception that such issuances are likely to occur, could affect the prevailing trading prices of the Common Shares.

We may never pay dividends over the foreseeable future.

Investors should not rely on an investment in the Company’s Common Shares to provide dividend income. The Company does not anticipate that it will pay any cash dividends to holders of its Common Shares in the foreseeable future. Instead, the Company plans to retain any earnings to maintain and expand its operations. In addition, any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared

or paid on its Common Shares. Accordingly, investors must rely on sales of their Common Shares after price appreciation, which may never occur, as the only way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase the Company's Common Shares.

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United States investors may not be able to obtain enforcement of civil liabilities against us.

The Company is incorporated under the laws of British Columbia, Canada, and its principal executive offices are located in Canada. Most of the Company's directors and officers and most of the experts named in this Annual Report reside outside of the United States and all or a substantial portion of the Company's assets and the assets of these persons are located outside the United States. Consequently, it may not be possible for an investor to effect service of process within the United States on the Company or those persons.

Furthermore, it may not be possible for an investor to enforce judgments obtained in United States courts based upon the civil liability provisions of United States federal securities laws or other laws of the United States against those persons or the Company. There is doubt as to the enforceability, in original actions in Canadian courts, of liabilities based upon United States federal securities laws and as to the enforceability in Canadian courts of judgments of United States courts obtained in actions based upon the civil liability provisions of the United States federal securities laws. Therefore, it may not be possible to enforce those actions against the Company, certain of the Company's directors and officers or the experts named in this Annual Report.

We are an emerging growth company and intend to take advantage of reduced disclosure requirements applicable to emerging growth companies, which could make the Company's Common Shares less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act. We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which we have total annual gross revenue of \$1.07 billion or more; (ii) December 31, 2026 (the last day of the fiscal year ending after the fifth anniversary of the date of the completion of the first sales of its common equity pursuant to an effective registration statement under the Securities Act); (iii) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period; or (iv) the date we qualify as a "large accelerated filer" under the rules of the SEC, which means the market value of the Company's Common Shares held by non-affiliates exceeds \$700 million as of the last business day of its most recently completed second fiscal quarter after we have been a reporting company in the United States for at least 12 months. For so long as we remain an emerging growth company, we are permitted to and intend to rely upon exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 ("**Section 404**") of the Sarbanes-Oxley Act (2002), as amended (the "**Sarbanes-Oxley Act**").

We may take advantage of some, but not all, of the available exemptions available to emerging growth companies. We cannot predict whether investors will find the Company's Common Shares less attractive if it relies on these exemptions. If some investors find the Company's Common Shares less attractive as a result, there may be a less active trading market for its Common Shares and the price of its Common Shares may be more volatile.

We will incur increased costs as a result of operating as a public company in the United States and the Company's management will be required to devote substantial time to new compliance initiatives.

As a U.S. public company, particularly if or when we are no longer an “emerging growth company” as defined under the JOBS Act, we incur significant legal, accounting and other expenses, in addition to those we incur as a Canadian public company, that we did not incur prior to being listed on Nasdaq. In addition, the Sarbanes-Oxley Act, and rules implemented by the SEC and Nasdaq impose various other requirements on public companies, and the Company spends time and resources to ensure compliance with its reporting obligations in both Canada and the United States.

For example, pursuant to Section 404, we are required to furnish a report by our management on our internal control over financial reporting (“ICFR”), which, if or when we are no longer an emerging growth company, must be accompanied by an attestation report on ICFR issued by our independent registered public accounting firm. To achieve compliance with Section 404, we must document and evaluate our ICFR, which is both costly and challenging. In this regard, we must dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of our ICFR, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for ICFR. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude that our ICFR is effective as required by Section 404. This could result in a determination that there are one or more material weaknesses in our ICFR, which could cause an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

In addition, becoming a public company in the United States has increased legal and financial compliance as well as regulatory costs, such as additional Nasdaq fees, and has made some of our public company obligations more time consuming. We invest resources to comply with evolving laws, regulations and standards in both Canada and the United States, and this investment results in increased general and administrative expenses and increased diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with public company laws, regulations and standards in the United States are insufficient, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Being a public company in the United States and complying with applicable rules and regulations also makes it more expensive for us to obtain sufficient levels of director and officer liability insurance coverage. This factor may also make it more difficult for us to attract and retain qualified executive officers and members of our Board of Directors.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to the Company's U.S. shareholders.

We currently qualify as a “foreign private issuer” under applicable U.S. federal securities laws and, therefore, are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are required to file with or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, the Company’s officers, directors and principal shareholders are exempt from the reporting and “short swing” profit recovery provisions of Section 16 of the Exchange Act. Therefore, the Company’s shareholders may not know on as timely a basis when its officers, directors and principal shareholders purchase or sell our securities as the reporting periods under the corresponding Canadian insider reporting requirements are longer. In addition, as a foreign private issuer, the Company is exempt from the proxy rules under the Exchange Act. The Company is also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While the Company expects to comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive in every case the same information at the same time as such information is provided by U.S. domestic issuers.

Draganfly Inc.
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In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. federal securities laws and Nasdaq listing rules and provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. We rely on this exemption in part. As a result, the Company's shareholders may not have the same protections afforded to shareholders of U.S. domestic issuers that are subject to all U.S. corporate governance requirements.

At some point in the future, we may cease to be a foreign private issuer. If we cease to qualify, we will be subject to the same reporting requirements and corporate governance requirements as a U.S. domestic issuer, which may increase the Company's costs of being a public company in the United States.

REGULATORY POLICIES

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("DC&P") are designed to provide reasonable assurance that all material information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure and that information required to be disclosed by the issuer under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), along with other members of management, have designed, or caused to be designed under the CEO and CFO's supervision, DC&P and established processes to ensure that they are provided with sufficient knowledge to support the representations made in the interim certificates required to be filed under National Instrument 52-109.

Internal Controls over Financial Reporting

The CEO and CFO, along with participation from other members of management, are responsible for establishing and maintaining adequate Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements prepared in accordance with IFRS. During the year ended December 31, 2023, there has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Limitations of Controls and Procedures

The Company's management, including its CEO and CFO, believe that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Information

Additional information about the Company is available at www.draganfly.com

Approval

This MD&A is authorized for issue by the Board on March 27, 2024

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Exhibit 15.3

CONSENT OF REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Annual Report on Form 20-F of our report dated March 27, 2024, with respect to the consolidated financial statements of Draganfly Inc. as at and for the years ended December 31, 2023 and 2022 included in this Annual Report on Form 20-F of Draganfly Inc.

We also consent to the incorporation by reference in the Registration Statements on Form F-10 (No. 333-271498), as amended, and Form S-8 (No. 333-259459) of Draganfly Inc. of our report dated March 27, 2024 referred to above.

/s/ DMCL LLP

Chartered Professional Accountants
Vancouver, Canada

March 27, 2024

Exhibit 97

DRAGANFLY INC.

DODD-FRANK CLAWBACK POLICY

Upon the recommendation of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Draganfly Inc. (the “Company”), the Board has adopted the following Dodd-Frank Clawback Policy (this “Policy”) on November 9, 2023, effective as of October 2, 2023 (the “Effective Date”).

1. Purpose. The purpose of this Policy is to provide for the recoupment of certain incentive compensation pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, in the manner required by Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rule 10D-1 promulgated thereunder, and the Applicable Listing Standards (as defined below) (collectively, the “Dodd-Frank Rules”).

2. Administration. This Policy shall be administered by the Committee. Any determinations made by the Committee shall be final and binding on all affected individuals.

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) “**Accounting Restatement**” shall mean an accounting restatement of the Company’s financial statements due to the material adverse noncompliance of the Company with any financial reporting requirement under

the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial statements that is material and adverse to the previously issued financial statements (*i.e.*, a “Big R” restatement), or (ii) that corrects an error that is not material and adverse to previously issued financial statements, but that would result in a materially adverse misstatement if the error were corrected in the current period or left uncorrected in the current period (*i.e.*, a “little r” restatement).

(b) “*Affiliate*” shall mean each entity that directly or indirectly controls, is controlled by, or is under common control with the Company.

(c) “*Applicable Listing Standards*” shall mean Nasdaq Listing Rule 5608.

(d) “*Clawback Eligible Incentive Compensation*” shall mean Incentive-Based Compensation Received by a Covered Executive (i) on or after the Effective Date, (ii) after beginning service as a Covered Executive, (iii) if such individual served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation (irrespective of whether such individual continued to serve as a Covered Executive upon or following the Restatement Trigger Date), (iv) while the Company has a class of securities listed on a senior securities exchange in the United States or a national securities association in the United States, and (v) during the applicable Clawback Period. For the avoidance of doubt, Incentive-Based Compensation Received by a Covered Executive on or after the Effective Date could, by the terms of this Policy, include amounts approved, awarded, or granted prior to such Effective Date.

(e) “*Clawback Period*” shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Trigger Date and any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of at least nine months shall count as a completed fiscal year).

(f) “*Company Group*” shall mean the Company and its Affiliates.

(g) “*Covered Executive*” shall mean any “executive officer” of the Company as defined under Applicable Listing Standards.

(h) “*Erroneously Awarded Compensation*” shall mean the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. With respect to any compensation plan or program that takes into account Incentive-Based Compensation, the amount contributed to a notional account that exceeds the amount that otherwise would have been contributed had it been determined based on the restated amount, computed without regard to any taxes paid, shall be considered Erroneously Awarded Compensation, along with earnings accrued on that notional amount.

(i) “*Exchange*” shall mean The Nasdaq Stock Market.

(j) “*Financial Reporting Measures*” shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Share price and total shareholder return (and any measures that are derived wholly or in part from share price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a measure need not be presented in the Company’s financial statements or included in a filing with the U.S. Securities and Exchange Commission (the “SEC”) in order to be considered a Financial Reporting Measure.

(k) “**Incentive-Based Compensation**” shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(l) “**Received**” shall mean the deemed receipt of Incentive-Based Compensation. Incentive-Based Compensation shall be deemed received for this purpose in the Company’s fiscal period during which the Financial Reporting Measure specified in the applicable Incentive-Based Compensation award is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(m) “**Restatement Trigger Date**” shall mean the earlier to occur of (i) the date the Board, a committee of the Board, or the officer(s) of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

4. Recoupment of Erroneously Awarded Compensation. Upon the occurrence of a Restatement Trigger Date, the Company shall recoup Erroneously Awarded Compensation reasonably promptly, in the manner described below. For the avoidance of doubt, the Company’s obligation to recover Erroneously Awarded Compensation under this Policy is not dependent on if or when restated financial statements are filed following the Restatement Trigger Date.

(a) **Process.** The Committee shall use the following process for recoupment:

(i) First, the Committee will determine the amount of any Erroneously Awarded Compensation for each Covered Executive in connection with an Accounting Restatement. For Incentive-Based Compensation based on (or derived from) share price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the share price or total shareholder return upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Exchange).

(ii) Second, the Committee will provide each affected Covered Executive with a written notice stating the amount of the Erroneously Awarded Compensation, a demand for recoupment, and the means of recoupment that the Company will accept.

(b) **Means of Recoupment.** The Committee shall have the discretion to determine the appropriate means of recoupment of Erroneously Awarded Compensation, which may include without limitation: (i) recoupment of cash or Company shares, (ii) forfeiture of unvested cash or equity awards (including those subject to service-based and/or performance-based vesting conditions), (iii) cancellation of outstanding vested cash or equity awards (including those for which service-based and/or performance-based vesting conditions have been satisfied), (iv) to the extent consistent with Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), offset of other amounts owed to the Covered Executive or forfeiture of deferred compensation, (v) reduction of future compensation, and (vi) any other remedial or recovery action permitted by law. Notwithstanding the foregoing, the Company Group makes no guarantee as to the treatment of such amounts under Section 409A, and shall have no liability with respect thereto. For the avoidance of doubt, appropriate means of recoupment may include amounts approved, awarded, or granted prior to the Effective Date. Except as set forth in Section 4(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Executive’s obligations hereunder.

- (c) **Failure to Repay.** To the extent that a Covered Executive fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(a) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recoup such Erroneously Awarded Compensation from the applicable Covered Executive. The applicable Covered Executive shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recouping such Erroneously Awarded Compensation if the Company Group can prove that the Covered Executive did not behave in good faith, acted recklessly or frivolously in respect of their failure to repay the Erroneously Awarded Compensation.
- (d) **Exceptions.** Notwithstanding anything herein to the contrary, the Company shall not be required to recoup Erroneously Awarded Compensation if one of the following conditions is met and the Committee determines that recoupment would be impracticable:
- (i) The direct expense paid to a third party to assist in enforcing this Policy against a Covered Executive would exceed the amount to be recouped, after the Company has made a reasonable attempt to recoup the applicable Erroneously Awarded Compensation, documented such attempts, and provided such documentation to the Exchange;
 - (ii) Recoupment would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recoup any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the Exchange, that recoupment would result in such a violation and a copy of the opinion is provided to the Exchange; or
 - (iii) Recoupment would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. Reporting and Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the Dodd-Frank Rules.

6. Indemnification Prohibition. No member of the Company Group shall be permitted to indemnify any current or former Covered Executive against (i) the loss of any Erroneously Awarded Compensation that is recouped pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. The Company may not pay or reimburse any Covered Executive for the cost of third-party insurance purchased by a Covered Executive to fund potential recoupment obligations under this Policy.

7. Acknowledgment. To the extent required by the Committee, each Covered Executive shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A pursuant to which such Covered Executive will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Covered Executive will be fully bound by, and must comply with, the Policy, whether or not such Covered Executive has executed and returned such acknowledgment form to the Company.

8. Interpretation. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. The Board intends that this Policy be interpreted consistent with the Dodd-Frank Rules.

9. Amendment; Termination. The Board may amend or terminate this Policy from time to time in its discretion, including as and when it determines that it is legally required to do so by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

10. Other Recoupment Rights. The Board intends that this Policy be applied to the fullest extent of the law. The Board and/or Committee may require that any employment agreement, equity award, cash incentive award, or any other agreement entered into be conditioned upon the Covered Executive’s agreement to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group, whether arising under applicable law, regulation or rule, pursuant to the terms of any other policy of the Company Group, pursuant to any employment agreement, equity award, cash incentive award, or other agreement applicable to a Covered Executive, or otherwise (the “Separate Clawback Rights”). Notwithstanding the foregoing, there shall be no duplication of recovery of the same Erroneously Awarded Compensation under this Policy and the Separate Clawback Rights, unless required by applicable law.

11. Successors. This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Approved November 9, 2023

Exhibit A

DRAGANFLY INC. DODD-FRANK CLAWBACK POLICY

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Draganfly Inc. Dodd-Frank Clawback Policy (the “*Policy*”). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this “*Acknowledgement Form*”) shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned’s employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company Group reasonably promptly to the extent required by, and in a manner permitted by, the Policy, as determined by the Committee of the Company’s Board of Directors in its sole discretion.

Sign: _____

Name: *[Employee]*

Date: _____
