

24 September 2015

**Strat Aero plc (“Strat Aero”, the “Company” or the “Group”)  
Interim Results**

Strat Aero, an international aerospace services company focused primarily on the provision of training solutions, management systems and consultancy services to the international aviation market, is pleased to present its unaudited interim results for the six month period ended 30 June 2015.

**Overview:**

- Redefined strategy to build a fully integrated UAV solutions provider to capture more of the value on offer from this rapidly developing market and build a far larger business than originally envisaged
- Ideally positioned to be a consolidator in the highly fragmented UAV market
- Highly experienced management team appointed with international company-building credentials - have already identified a pipeline of significant potential acquisitions and business opportunities
- Four most advanced acquisition targets have a potential pipeline of revenue opportunities approximating US\$200m
- Financial year to date performance impacted by shifting market dynamics and contract conversion delays and currently trading significantly below expectations
- £200,000 short term loan facility has been arranged to provide for developing corporate acquisition programme.
- With new structure and strategy in place, the new management team are confident of building a significant international and fully integrated player in the UAV arena

Tony Dunleavy, newly appointed CEO of Strat Aero, said: “Being the only dedicated listed vehicle targeting the rapidly emerging UAV market, Strat Aero is ideally placed to become the first fully integrated global solutions provider, one which covers all aspects of the value chain including the provision of innovative software platforms, hardware and pilot training services. Following the appointment to the Board earlier this month of Gerard Dempsey and Paul Ryan, two highly experienced corporate directors who have held senior roles with blue chip technology giants Microsoft and Vodafone, we have a proven team in place to deliver on our objective. I look forward to providing further updates on our progress as we look to develop Strat Aero into a UAV focused solutions provider serving global clients in both the commercial and military sectors, and in the process generate significant value for shareholders.”

For further information please visit [www.strat-aero.com](http://www.strat-aero.com). or contact:

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### **Chairman's Statement**

When combined with cutting edge software, UAVs promise to revolutionise business practices across multiple commercial sectors. The enhanced functionality and significant cost savings they offer represent a win-win for businesses, which in our view will result in UAVs being increasingly used to carry out every day as well as mission critical operations. The UAV market therefore represents a fantastic opportunity for a company that can deliver a fully integrated offering, targeting all areas of the value chain. Already UAVs are being adopted across the industrial, governmental and military spectrum, both as an advancement in technological innovation and the cost savings offered on adoption. However, as with all rapidly emerging sectors where the full breadth of the opportunities available is constantly expanding, companies looking to play a key role in this technological revolution are having to develop with it. Strat Aero is not immune to these market dynamics.

When Strat Aero listed on AIM in Q4 2014, our objective was very much to leverage the founders' experience, expertise and contacts in the aviation industry to build a business primarily focused on delivering support services contracts to its clients. The months since IPO have proved to be a frustrating period in terms of converting agreements we had in place into revenue generating contracts, as reflected by our financial performance over the first half. Strat Aero had expected to benefit significantly from the expected training contract between the US Air Force and a major defence contractor, with whom Strat Aero had partnered, which represented the bulk of initial revenue expectations. Under the agreement Strat Aero was to train US Air Force UAV pilots at an established multi-faceted UAS Training Centre in Roswell, New Mexico. While this project continues to be subject to delays, due to military procurement issues and associated personnel

changes, it is worth noting, that this opportunity remains live and we will report any significant progress when it occurs.

We believe the delay in the conversion of the USAF contract opportunity is symptomatic of a fast growing and ever changing sector which requires a high level of end user education. We have found that as interested parties become more attuned to the benefits UAVs offer, would be clients are increasingly looking for a one stop shop which offers hardware, software as well as the provision of UAV related services such as training and certification. While the industry continues to change, so too is Strat Aero. The period under review has been difficult but we have reacted accordingly and focussed our efforts on the UAV market, notwithstanding our continued drive to progress consulting and software related opportunities. We have remodelled our strategy so that we can match our prospective clients' needs by building a fully integrated offering. In our view this will not only facilitate the securing of contracts with both our target military and commercial customers, but will also allow us to capture as much of the value chain as possible for our shareholders and should result in a far larger ultimate business than originally envisaged.

Strat Aero has a solid foundation from which to build. 2015 has seen the Company enter into a number of collaboration agreements with various state and commercial bodies internationally and also established a Joint Venture with Air Fusion, a US software business, to develop Windspect, a data driven solution using UAVs to inspect wind turbines, a market which is forecast to grow to over US\$6n (per Navigant) in the next decade. By mid-year, the founders had identified potential sales opportunities totalling US\$90m across a variety of sectors, including: Inspection Services (e.g. Wind Turbines); Military Training; Civilian Training; Security and ISR (Intelligence, Surveillance & Reconnaissance) Solutions and Consultancy (typically Governments trying to progress their UAV sectors). In addition our planned US based national commercial training programme i.e. Eastern New Mexico University – Roswell ('ENMUR'), remains a high priority awaiting finalisation of the commercial structure with the New Mexico Authorities.

However, to maximise the future opportunity, Strat Aero needs to become a full solutions provider offering the full spectrum of UAV global client needs. This involves providing a solution which satisfies all a client's specific needs. We intend to provide the answers to all the questions clients will be asking such as: What technology should be used with regards to drones and sensors? What regulatory authorisations are needed? How can staff be trained to use them? Or, should such services be outsourced to specialist UAV providers (e.g. inspection Services)? What are the specifics of carrying out missions (e.g. inspecting or securing our infrastructure assets etc.)? What do we do with all the data that UAVs and sensors collect? How do we manage it and make the best use of it?

To achieve this Strat Aero intends to implement the following steps: bring in new Civilian and Military technology, especially UAVs, to best tailor appropriate solutions to differing client needs (this could either be sourced from other technology providers, or brought in house to maximise both flexibility for clients and long term value creation for shareholders); leverage off the knowledge of the founders to assist with the regulatory needs of clients and identify local experts

in global markets if necessary; use existing know how and alliances to create training opportunities globally across both Military and Civilian marketplaces; set up an Inspections Services Division with international reach in a number of high growth and early adopter industries; use its Aviation software capability to provide a global platform for Inspection Services and Education services; and acquire and develop further sensor and software capability in order to grow with and meet all key client needs.

Being a relatively new market, the UAV sector remains highly fragmented and this represents an excellent opportunity for Strat Aero to fast track its transformation into a vertically integrated UAV focused solutions provider. There are no significant participants in the sector who have developed a full solutions offering. This is increasingly needed by clients across all sectors, who generally realise that they should be using Drone and related technologies to make their own businesses more efficient and effective, but generally do not know how to best achieve that. Being the only dedicated listed vehicle targeting this area, Strat Aero has an opportunity to become such a provider and is also in a uniquely prime position to act as a consolidator in this highly fragmented market. However, the Company recognised that to achieve this goal, personnel with a proven track record in identifying, acquiring and integrating businesses, particularly in the technology arena, were required. We have moved quickly and decisively to address this issue and have brought in seasoned international executives across a number of disciplines to broaden Strat Aero's international operational capability to truly offer global solutions.

Post period end, we have already announced two new appointments to the Board to spearhead Strat Aero's new strategy of becoming a UAV focused technology company, and today we are delighted to have secured the services of Tony Dunleavy as Chief Executive Officer, who joins the Board with immediate effect. Tony is a PwC trained international accountant with over 30 years of Corporate Finance, Business Development, Financial & General Management experience both in a management and advisory capacity. He has worked in a variety of industries at senior management and board level including aviation and healthcare. Specifically he acted as an adviser to Milestone Aviation (bought for US\$2Billion by General Electric) and in his role as interim CFO of Creganna Medical Devices as it started its transition from a private medical devices start up through to a \$200m PE buy out and beyond. Tony has a proven track record in executing restructuring programmes having acted as adviser for Rabobank (Spain and Ireland) as well as executing and integrating M&A transactions. His focus on goals, value creation and his multi-disciplinary skillset and experience are just what Strat Aero needs to take advantage of the huge opportunity we have identified.

In early September, Paul Ryan joined the Board as a non-executive Director focused on strategy. Paul has 20 years of transactional, commercial and regulatory experience in the telecommunications and ICT sectors with international blue chip entities, including telecoms giant Vodafone. Over the course of his career, he has been involved in transactions with a value in excess of US\$10 billion. Paul will be responsible for business development and the implementation of our more expansive strategy. Paul's appointment was closely followed by that of Mr Gerard Dempsey to the Board as Chief Financial Officer. Gerard is a Chartered Accountant

with over 30 years' experience in senior finance roles across a range of global industries and blue chip companies including Finance Director at Microsoft Ireland, Head of Finance at Guinness, Head of Corporate Treasury and Structured Financing at Diageo, and Senior Corporate Treasurer at Pfizer.

The new team is ready to hit the ground running. The past few months has been spent identifying international Merger & Acquisition opportunities which meet our investment criteria. Due diligence is nearing completion and the necessary legal and financing paperwork is being drawn up for four significant potential transactions. We believe that once completed these transactions will position the combined group into the first true global 'full solutions provider', one which has an initial US\$200m potential sales pipeline in place. The Board is confident that each of these transactions represents tremendous value to shareholders and the collective synergies within the new enhanced group will ensure that they are highly earnings enhancing. The Board looks forward to providing further updates in relation to the acquisition pipeline as appropriate.

A look at today's UAV market shows the size of the prize on offer. As one of the highest growth international sectors forecast for the next decade (according to the AUVSI Economic Report 2013, the UAV market is forecast to grow to US\$82.1bn between 2015 and 2025 and in the process create 103,776 new jobs), a wall of new money is being invested internationally, including in excess of US\$100m of US Venture Capital money already invested this year alone and a similar number coming from Asia. The majority of these businesses are being valued at 10 times expected revenues, indicating that the investing marketplace expects significant value to be created by successful participants in this space. Nevertheless, the existing participants in the sector across the globe, with the exception of DJI (Chinese Drone Manufacturer, specialising in low cost 'hobby' style drones, valued at US\$8billion in its last fund raising), are all embryonic businesses trying to find out how best to progress in the sector. Indeed, the vast majority of players are small start-ups, often drawn from the world of ex-civilian or military pilots. It is inevitable that as the market develops, significant industry consolidation can be expected.

## **Financial Review**

During the period the Group recorded revenues of US\$57,441 compared with US\$630,685 for the year to 31 December 2014. The loss for the six months to 30 June 2015, before and after taxation, was US\$1,311,117 (Year to 31 December 2014: US\$1,200,844). The loss per share was 1.61 cents (2014: loss per share of 3.77 cents).

The revenue position for the period has been extremely disappointing. The H1 financial performance has been impacted by shifting market dynamics and lack of contract conversion but considerable work has been undertaken during the first half of the year which should underpin revenue generation capability in the future and especially 2016. Administrative expenses amounted to US\$1,308,232 (Year to 31 December 2014: US\$1,539,403), a large portion of these costs continue to comprise of wages and salaries, consultancy and professional fees associated with a public company. All board salaries are presently deferred. In comparison with last year's

level of costs it should be born in mind that the Company was admitted to AIM on 17 November 2014 and was run as a public company for a period of less than two months.

Consolidated net assets at 30 June 2015 amounted to US\$478,406 (31 December 2014: US\$818,376). Cash balances at the period end amounted to US\$238,324 (31 December 2014: US\$106,817). During the period the Company raised £660,000 through the issue of new shares.

As announced to the AIM market on 30 June 2015, the Company entered into an agreement with Russell Peck (Director and Shareholder of the Company) to provide further advances to the Company's subsidiary, Strat Aero Inc, amounting to US\$386,000.

In support of our business strategy and in particular our developing corporate acquisition programme, Strat Aero has executed a £200,000 two month short term loan facility with Farina Investments (UK) Ltd at an interest rate of 7.5% per month plus fees. The Board will be considering options to refinance this facility in the near term.

### **Current Trading and Outlook**

Revenues since the period end have remained below management expectations and although there are a number of significant opportunities that may convert during the current financial year the speed of conversion remains a risk. With a new seasoned management team in place, with a global capability to roll-out our new strategy to a rapidly growing marketplace across many industries and with a US\$200m sales pipeline already identified through potential acquisitions and organic growth, the Board is confident that, in time, Strat Aero has the potential to become a significant international player in this exciting new industry. We do caution shareholders to be patient, as with any developing marketplace, clients are slow to invest and significant investment in cash and time is needed to complete exhaustive demonstration projects, which can take anything from six months to two years to complete. However, once the leading players in the industries of our addressable market show the way forward and start to invest, we are confident that others will quickly follow and that there is the capability to create very significant value for our shareholders within the next three years.

Graham Peck  
Executive Chairman

**STRAT AERO PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six month period ended 30 June 2015**

<b>Unaudited 6 months ended</b>	<b>Audited Period ended</b>
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	Note	30 June 2015 US\$	31 December 2014 US\$
<b>Continuing operations</b>			
Revenue		57,441	630,685
Cost of sales		(27,107)	(320,686)
<b>Gross profit</b>		<b>30,334</b>	<b>309,999</b>
Administration expenses		(1,308,232)	(1,539,403)
(Loss)/Gain on foreign exchange		(30,307)	35,424
<b>Operating loss</b>		<b>(1,308,205)</b>	<b>(1,193,980)</b>
Finance costs		(2,912)	(6,864)
<b>Loss before income tax</b>		<b>(1,311,117)</b>	<b>(1,200,844)</b>
Income tax expense		-	-
<b>Loss for the period attributable to owners of the parent</b>		<b>(1,311,117)</b>	<b>(1,200,844)</b>
<b>Other Comprehensive Income</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Currency translation difference		24,665	(68,582)
<b>Total comprehensive income for the period attributable to owners of the parent</b>		<b>(1,286,452)</b>	<b>(1,269,426)</b>
<b>Earnings per ordinary share attributable to owners of the parent during the period (expressed in cents per share)</b>			
<b>Basic and diluted</b>	4	<b>(1.61)</b>	<b>(3.77)</b>

**STRAT AERO PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2015**

		Unaudited	Audited
		30	31
		June	December
		2015	2014
	Note	US\$	US\$
<b>Non-current assets</b>			
Intangible assets		771,799	632,373
Property, plant and equipment		189,606	205,488
<b>Total non-current assets</b>		<b>961,405</b>	<b>837,861</b>
<b>Current Assets</b>			
Trade and other receivables		308,767	355,659
Cash and cash equivalents		238,324	106,817
<b>Total current assets</b>		<b>547,091</b>	<b>462,476</b>
<b>TOTAL ASSETS</b>		<b>1,508,496</b>	<b>1,300,337</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	3	1,413,453	1,301,737
Share premium		2,474,327	1,642,449
Other reserves		(853,496)	(856,384)
Translation reserve		(43,917)	(68,582)
Retained loss		(2,511,961)	(1,200,844)
<b>TOTAL EQUITY</b>		<b>478,406</b>	<b>818,376</b>
<b>Current liabilities</b>			
Trade and other payables		579,352	417,223
<b>Total current liabilities</b>		<b>579,352</b>	<b>417,223</b>
<b>Non-current liabilities</b>			
Borrowings	5	450,738	64,738
<b>Total non-current liabilities</b>		<b>450,738</b>	<b>64,738</b>
<b>TOTAL LIABILITIES</b>		<b>1,030,090</b>	<b>481,961</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,508,496</b>	<b>1,300,337</b>

STRAT AERO PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2015

	Attributable to owners of the parent					
	Share capital US\$	Share premium US\$	Other reserves US\$	Translation reserve US\$	Retained loss US\$	Total US\$
<b>At incorporation</b>	1	-	-	-	-	1
Loss for the period	-	-	-	-	(1,200,844)	(1,200,844)
<b>Other comprehensive income for the period</b>						
Currency translation difference	-	-	-	(68,582)	-	(68,582)
<b>Total comprehensive income for the period</b>	-	-	-	(68,582)	(1,200,844)	(1,269,426)
Proceeds from shares issued (net of costs)	1,170,407	981,484	(857,098)	-	-	1,294,793
Share based payments	131,329	660,965	714	-	-	793,008
<b>Transactions with owners, recognised directly in equity</b>	1,301,736	1,642,449	(856,384)	-	-	2,087,801
<b>As at 31 December 2014</b>	1,301,737	1,642,449	(856,384)	(68,582)	(1,200,844)	818,376
<b>As at 1 January 2015</b>	1,301,737	1,642,449	(856,384)	(68,582)	(1,200,844)	818,376
Loss for the period	-	-	-	-	(1,311,117)	(1,311,117)
<b>Other comprehensive income for the period</b>						
Currency translation difference	-	-	-	24,665	-	24,665
<b>Total comprehensive income for the period</b>	-	-	-	24,665	(1,311,117)	(1,286,452)
Proceeds from shares issued (net of costs)	111,716	831,878	-	-	-	943,594
Share based payments	-	-	2,888	-	-	2,888
<b>Transactions with owners, recognised directly in equity</b>	111,716	831,878	2,888	-	-	946,482
<b>As at 30 June 2015</b>	1,413,453	2,474,327	(853,496)	(43,917)	(2,511,961)	478,406

**STRAT AERO PLC**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
For the six month period ended 30 June 2015

	Note	Unaudited 6 months ended 30 June 2015 US\$	Audited Period ended 31 December 2014 US\$
<b>Cash Flows from Operating Activities</b>			
Loss for the period before tax		(1,311,117)	(1,200,844)
Depreciation of property, plant and equipment		23,452	23,083
Amortisation of intangible assets		43,966	70,264
Share based payments		2,888	714
Finance costs		2,912	6,864
Foreign exchange on operating activities		23,891	(44,966)
Decrease/(increase) in trade and other receivables		46,892	(355,659)
Increase in trade and other payables		162,129	804,327
<b>Cash generated used in operations</b>		<b>(1,004,987)</b>	<b>(696,217)</b>
Interest expense		(2,912)	(6,864)
<b>Net cash used in operating activities</b>		<b>(1,007,899)</b>	<b>(703,081)</b>
<b>Cash Flows used in Investing Activities</b>			
Purchases of intangible assets		(183,392)	(469,372)
Purchases of property, plant and equipment		(7,570)	(49,541)
<b>Net cash used in investing activities</b>		<b>(190,962)</b>	<b>(518,913)</b>
<b>Cash Flows from Financing Activities</b>			
Net proceeds from borrowings	5	386,000	34,018
Issue of shares, net of issue costs		943,594	1,294,793
<b>Net cash generated from financing activities</b>		<b>1,329,594</b>	<b>1,328,811</b>
Net increase in cash and cash equivalents		130,733	106,817
Exchange gains/(losses)		774	-
Cash and cash equivalents at beginning of period		106,817	-
<b>Cash and cash equivalents at end of period</b>		<b>238,324</b>	<b>106,817</b>

## **NOTES TO THE INTERIM RESULTS:**

### **1. General information and accounting policies**

The principal activity of Strat Aero Plc (“the Company”) and its subsidiaries (together “the Group”) is the development, marketing and selling of Unmanned Aerial Vehicle inspection services, training programmes and software in the aviation industry.

The Company is a public limited company, which is listed on the London Stock Exchange: AIM and incorporated and domiciled in the United Kingdom. Its registered office is: The Beehive, City Place, Gatwick Airport, West Sussex, RH6 0PA.

This announcement is for the unaudited interim results for the period ended 30 June 2015.

### **2. Basis of preparation**

The condensed consolidated interim financial information (the “Financial Information”) has been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 “Interim Financial Statements” in preparing this Financial Information. The Financial Information should be read in conjunction with the annual financial statements for the period ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In the opinion of the Directors the Financial Information for the period represents fairly the financial position, results from operations and cash flows for the period in conformity with generally accepted accounting principles consistently applied.

The Financial Information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. The Financial Information has been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the period ended 31 December 2014 were approved by the Board of Directors on 29 June 2015 and subsequently delivered to the Registrar of Companies and are also available on the Group’s website: [www.strat-aero.com](http://www.strat-aero.com).

The independent auditor’s report on those financial statements was unqualified, however drew attention to going concern matters by way of emphasis of matter.

The 2015 Financial Information of the Group has not been audited or reviewed.

The Financial Statements are presented in US Dollar rounded to the nearest dollar.

### **Going concern basis**

The Group has been actively managing the review of the going concern position including the following material measures:

- Development of key partner relationships in order to assist Strat Aero to take advantage of new market opportunities.
- Evaluating and developing revenue pipeline opportunities.
- Consideration of future fund raisings; and
- Deferral of Directors remuneration

Based on our commercial review for 2015 and 2016 and the Group’s economic prospects the Directors have made the assessment, the above measures provide sufficient working capital in order to cover the period until the Group is able to earn operating positive cash flows. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all available information regarding the

foreseeable future; in particular for the period covering 12 months from the date of issue of the financial information.

### **Risks and uncertainties**

The Board continuously assesses and monitors the key risks facing the business. The key risks that could affect the Group's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2014 Annual Report and Financial Statements. The key financial risks are liquidity risk and credit risk.

### **Critical accounting estimates and judgements**

The preparation of Financial Information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 of the Group's 2014 Annual Report and Financial Statements.

### **Accounting Policies**

The same accounting policies, presentation and methods of computation have been followed in this Financial Information as were applied in the preparation of the Group's Annual Financial Statements for the period ended 31 December 2014.

### **3. Share capital**

On 10 March 2015 the Company issued 7,333,334 new ordinary shares of £0.01 each at a price of £0.09 per share raising £660,000.

### **4. Earnings per share**

Basic earnings per share has been calculated by dividing the loss attributable to equity holders of the Company after taxation by the weighted average number of shares in issue during the period. There is no difference between the basic and diluted loss per share as the effect on the exercise of options and warrants would be to decrease the loss per share.

<b>Basic and Diluted</b>	<b>2015 US\$</b>	<b>2014 US\$</b>
Loss after taxation	<b>(1,311,117)</b>	(1,200,844)
Weighted average number of shares	<b>81,506,191</b>	31,832,975
Earnings per share (cents)	<b>(1.61)</b>	(3.77)

### **5. Borrowings**

As announced to the AIM market on 30 June 2015, the Company entered into an agreement ("the Agreement") with Russell Peck (Director and Shareholder of the Company) to provide further advances to the Company's subsidiary, Strat Aero Inc, amounting to US\$386,000, payments being made between 14 January 2015 and 29 June 2015.

Under the Agreement, no repayment is due back to Russell Peck until 18 months have elapsed following the date of the Agreement and is interest free and unsecured.

### **6. Dividends**

No dividend has been declared or paid by the Company during the 6 months ended 30 June 2015 (2014: nil).

## **7. Approval of the interim financial information**

The condensed Financial Information were approved by the Board of Directors on 23 September 2015.