

Rating	Target Price
BUY	**$1.25**
Initiating	*Initiating*

November 11, 2026

Disseminated on Behalf of FeralX Systems Inc.

All figures in CAD unless otherwise stated

FeralX Systems Inc.	FRLX:TSXV
Rating	BUY
Target Price	$1.25
Return to Target	150%

Market Data	
Share Price	$0.50
Average Daily Volume (K)	100.5
FD ITM Shares (M)	50.0
Market Cap ($M)	$25.0
PF Cash ($M)	$2.8
Debt ($M)	$0.0
Enterprise Value ($M)	$22.2

FYE Mar 31	2026E	2027E	2028E
Revenue ($M)	$0.0	$22.7	$44.3
Gross Margin (%)	N/A	43%	42%
Adj. EBITDA ($M)	($4.1)	$1.5	$6.0
Adj. EBITDA Margin (%)	N/A	7%	14%
Net Income ($M)	($7.0)	($3.5)	$1.1
EPS (Basic)	($0.22)	($0.07)	$0.02
FCFF ($M)	($7.3)	($6.9)	($0.2)

Valuation	2026E	2027E	2028E
EV/EBITDA	N/A	14.3x	3.7x
P/E	N/A	N/A	22.0x
EV/Sales	N/A	1.0x	0.5x

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents

FeralX Systems Inc. is a Canadian-controlled defence manufacturer headquartered in Ontario. The Company designs, builds and delivers weapon systems, autonomous platforms and precision components for government, military and law-enforcement customers, connecting operators, sensors and precision effects into one integrated mission ecosystem. FeralX operates across four lines: Armament, Autonomy, Mission Support and Manufacturing.

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What you need to know:

- FeralX provides design and manufacturing services for small-arms and drones to military and law enforcement clients globally.
- The Company has a contracted revenue base and is expected to see strong growth over the coming years, driven by its manufacturing agreement with Arcanus Aerial Systems.
- FRLX will be profitable shortly, and we are projecting 43% gross margin and 7% adjusted EBITDA margin for 2027.
- The Company is led by industry veterans, bringing decades of expertise and relationships to the table.

FeralX Systems Inc. (FRLX:TSXV) is a newly-listed designer and manufacturer of small-arms and unmanned systems in Ontario, serving military and law enforcement customers globally. The Company is led by a highly experienced and relevant management team, aiming to show consistent growth and profitability. **We are initiating coverage on FeralX with a BUY rating and a $1.25/share target price.**

Investment Thesis Summary

Contracted Revenue Growth. FeralX has contracted orders with a foreign military for pistol manufacturing, supporting over $20M in revenue. The Company is also in discussions with other nations to secure further orders. FRLX also has a five-year production agreement with Arcanus Aerial Systems as its Canadian contract manufacturer. As such, revenue is contracted to grow materially over the coming years, and we estimate $22.7M in 2027 and $44.3M in 2028.

Upcoming UGV Opportunities. FRLX is developing the Muskrat, a UGV that travels with soldiers on foot to scout ahead and carry equipment. Militaries are increasingly adopting uncrewed systems, including the Canadian Army launching its MINERVA initiative this year to accelerate adoption.

New Products & Growth Initiatives. The Company is broadening its product line with new machine guns and sniper rifles. Longer term, FRLX plans to integrate its weapons and unmanned systems through AI-enabled targeting.

Profitable & Increasing Capacity. We estimate that small-arms orders have 40-50% gross margins and drone orders have 25-30% gross margins. We anticipate FRLX to be profitable shortly, with 7% adjusted EBITDA margins in 2027, expanding to 14% in 2028. Small-arms output has already increased from ~800 to ~3,600 units per month, with first deliveries expected in Q1/27 and a robotic machining cell arriving in the coming weeks.

Led by Defence Veterans with Significant Ownership. FeralX is led by founder and CEO Rob MacIntyre, who brings 20+ years of military and international security experience. Director Dennis Veilleux brings over 35 years of firearms experience, previously serving as CEO of Colt, before selling to Colt CZ (largest public peer). Management collectively owns 44%, closely aligning them with shareholders.

Valuation. FeralX trades at 14.3x/3.7x 2027E/2028E EBITDA compared to armament companies at 10.2x/8.7x and defence technology companies at 11.0x/10.3x. We expect the multiple to re-rate as the Company shows its first few quarters of financials and diversifies its revenue streams.

Catalysts

- Quarterly Financial Results & Order Announcements – Ongoing
- Acquisitions & Strategic Partnerships – Ongoing

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Investment Thesis

We are initiating coverage on FeralX with a BUY rating and a $1.25/share target price. FeralX designs and manufactures small-arms and unmanned systems in Ontario for military and law enforcement customers in Canada and allied countries. Most of its revenue is already contracted based on foreign arms sales, supporting profitability, while the Company has various growth initiatives in place in UGVs (unmanned ground vehicles) and other new products. FeralX is led by a highly experienced team bringing decades of expertise and relationships.

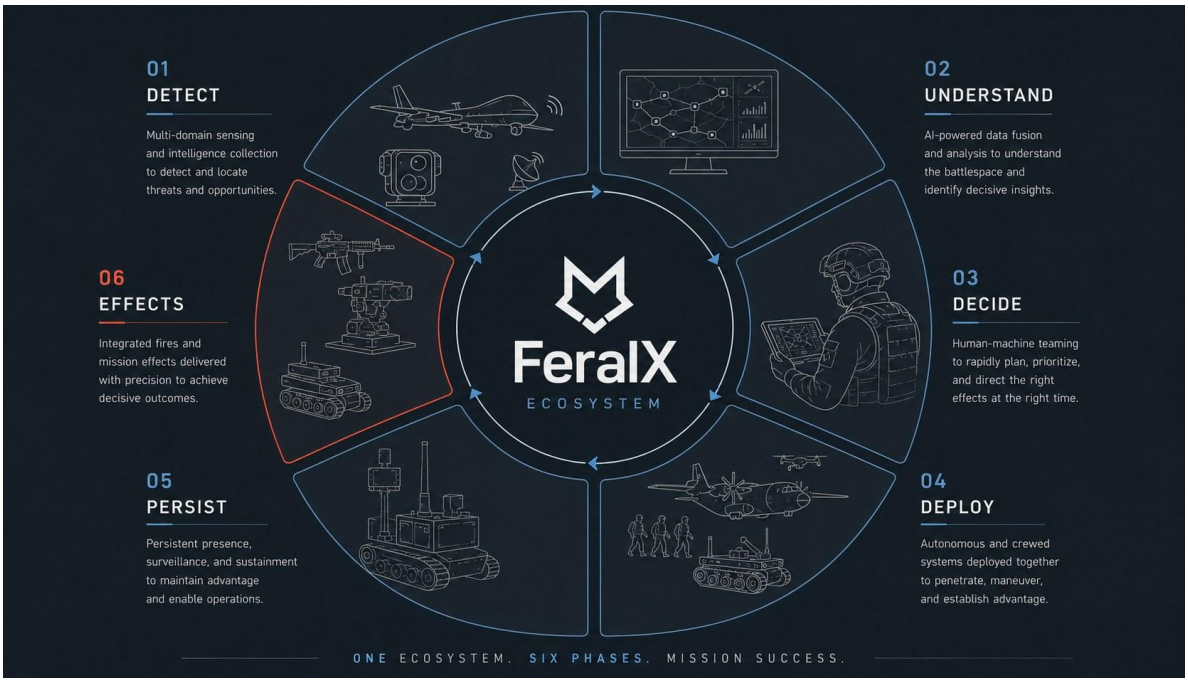


Figure 1: FeralX Vision (Source: Company Documents)

Contracted Revenue Growth

Small-Arms

FeralX has a backlog of contracted revenue with a foreign military for the manufacturing of ~30,000 pistols, which are priced at ~$750/unit, equating to $22.5M. Management has also been active in discussions with other militaries such as Saudi Arabia, Ukraine, and other countries for further orders. We anticipate some of these future orders to be for sniper rifles, which are priced at $9,000/unit. These contracts are recurring in nature, and we believe they can grow over time as defence budgets increase in the coming decade. As such, the small-arms division of FeralX provides steady and consistent revenue generation, with modest growth. Production is already under way, with first deliveries of finished pistols expected in Q1/27.

Arcanus Agreement

The Company has a five-year production agreement with Arcanus Aerial Systems which it signed this year, making FRLX its Canadian contract manufacturer for its UAS (Unmanned Aircraft Systems). FeralX has already begun receiving and assembling ISR drones for Arcanus at its facility. Arcanus also made a strategic investment of $1.0M in FRLX's $0.60/unit financing, demonstrating that it will be a long-term partner and supportive of FRLX's growth, contributing to cross-selling FRLX's products into Arcanus' allied network. For those unfamiliar, Arcanus is a Toronto-based defence technology company founded in 2025, specializing in drones. Arcanus has a formal military evaluation agreement with the Armed Forces of Ukraine with a pathway to monthly orders of US$200M per month at scale, in addition to a $38M LOI in Europe, and a $28M purchase order from a West African government, amongst others.

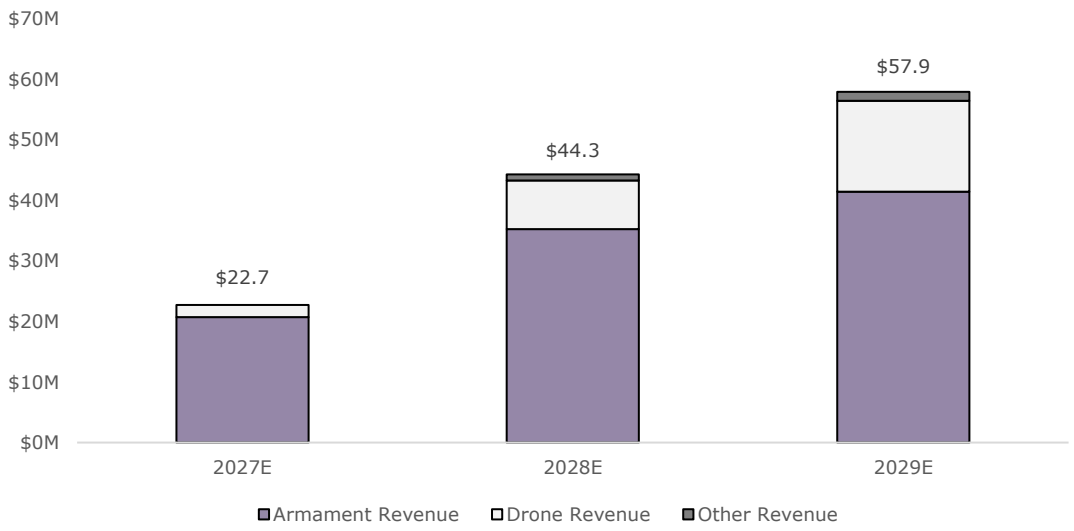


Figure 2: Revenue Projections by Segment

Upcoming UGV Opportunities

FRLX's unmanned product is the Muskrat, which is a tracked unmanned ground vehicle built on a modular carbon fibre chassis and designed to travel with soldiers on foot, rather than being transported by a larger vehicle. The Muskrat is currently being developed in two variants that share the same chassis, drivetrain, batteries, and controller. The Muskrat R is a reconnaissance unit light enough to be carried on an operator's back, carrying a stabilized day and thermal camera to scout buildings, treelines and tunnels ahead of the team, while the Muskrat C is a larger cargo carrier that moves ammunition, water, equipment and casualties (see figure below). FeralX will first sell the Muskrat in these non-militarized roles, which require no additional regulatory approvals, before introducing armed configurations that carry the operator's own weapons (we discuss this further below).



Figure 3: Muskrat C Rendering – Cargo Pair with Articulated Trailer Module (Source: Company Documents)

The Canadian Army is actively seeking this type of vehicle, having launched the MINERVA Initiative in May to accelerate the adoption of uncrewed systems. Its first innovation challenges include uncrewed ground systems for surveillance and reconnaissance, and for tactical cargo movement, which map directly to the Muskrat R and Muskrat C. The government awarded up to $50M in initial contracts to Canadian suppliers of uncrewed aircraft systems and UGVs in September 2026. Beyond Canada, management has indicated meaningful interest from Ukraine, where early Muskrat prototypes have already been tested in combat conditions, with feedback from those deployments helping shape the platform's ongoing development.

We expect the Muskrat to be priced well below larger vehicle-based UGVs, which we believe suits militaries looking to field these systems in volume and accept losses in combat, while also giving the platform dual-use potential in law enforcement, mining, and infrastructure inspection.

New Products & Growth Initiatives

Beyond its current lineup, FRLX is extending its small-arms portfolio into new categories, developing the FX240 medium and FX249 light belt-fed machine guns for introduction in 2027 and building PGW Defence Technologies' Timberwolf and Direwolf sniper rifles under licence. The Timberwolf has been in service with the Canadian Armed Forces as the C14 since 2005 and is fielded by allied forces, giving FRLX a proven platform with an established customer base. Conversations with management lead us to believe the Company sees domestic production of belt-fed weapons as a major long-term opportunity, as Canada's small-arms supply has historically come from Colt Canada, which is Canadian-made but foreign-owned, while the recently introduced Defence Industrial Strategy increasingly favours Canadian-owned suppliers (see *Competitive Positioning* section below).

Longer term, FeralX plans to develop AI-enabled targeting that fuses feeds from its ground and aerial platforms into a single picture for the operator, linking its armed UGVs, drones and small-arms into one integrated system. The Company has also outlined a Mission Support line offering manned and unmanned intelligence, surveillance and reconnaissance (ISR).

Segment	Initiative	Timing
Small Arms	FX240 / FX249 belt-fed machine guns	2027
Small Arms	PGW Timberwolf & Direwolf sniper rifles (licensed)	2027
Unmanned	Muskrat R / C UGVs (Army MINERVA challenges)	2027
Unmanned	Armed UGV configurations	2027
Unmanned	Larger Arcanus drone platforms	2027
Technology	AI-enabled targeting and sensor fusion	Long term
Mission Support	Manned / unmanned ISR and charter aviation	Long term

Figure 4: Growth Initiatives Pipeline

Profitable & Increasing Capacity

Based on our conversations with management, the small-arms segment (mostly pistols currently) has 40-50% gross margins, supporting strong profitability and cashflow as >$20M of revenue is already booked for 2027. The sniper rifles have even higher gross margins of ~60%, providing more upside if management can execute on these orders. The drone products, including the agreement with Arcanus is lower gross margin, we estimate in the range of 25% starting out, and will grow to 30% with scale. As such, gross margins will decline slightly through 2028 as UGV takes up a larger share of total revenue, but is still solid nonetheless; we expect 43% for 2027 and 42% in 2028. This translates to adjusted EBITDA margins of 7% in 2027, growing to 14% in 2028, modelling ~$8M in cash overhead in 2027 and ~$12M in 2028.

This compares to other larger munitions and arms peers that are posting an average ~23% adjusted EBITDA margin in 2027, illustrating the case for margin expansion as FeralX scales. Many drone companies have low or negative margins at this point, and as such, FeralX offers profitable exposure to the sector if it can achieve the numbers above for its drone division.

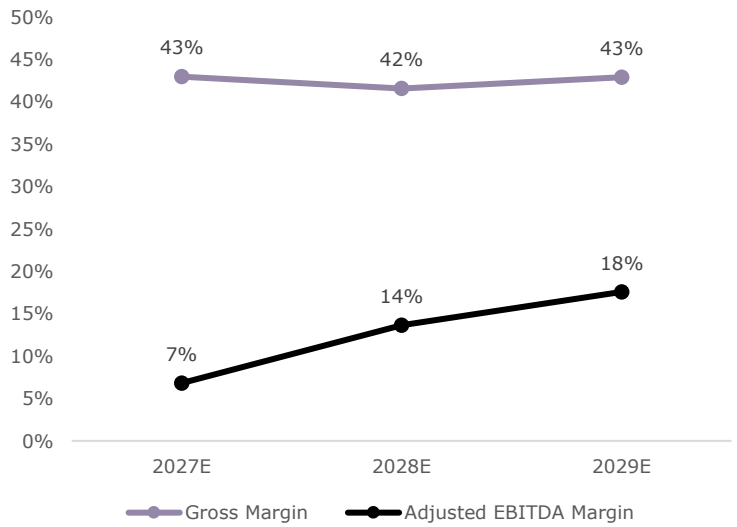


Figure 5: Margin Projections

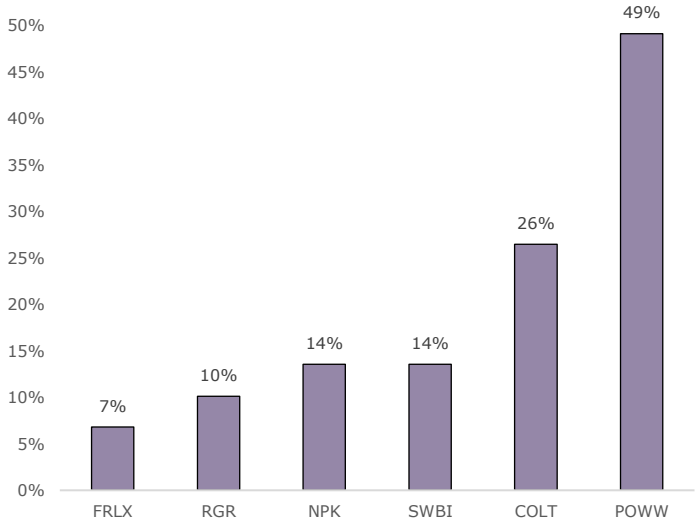


Figure 6: Peer 2027E Adjusted EBITDA Margin

FeralX has already scaled small-arms output at its ~30,000 SF facility near Peterborough from ~800 to ~3,600 units per month, with pistol slides now produced on five Makino CNC machining centres, including the two a51nx machining centres purchased in July. On an annualized basis, this equates to ~43,000 units, well above our modelled numbers. Furthermore, we will note that sniper rifle and pistol manufacturing uses the same equipment and capacity, but have a large discrepancy between pricing ($750/unit vs. $9,000/unit); meaning that if the transition to snipers plays out, revenue can be much higher from the same manufacturing facility.

To match frame production to that output, FeralX has used proceeds from its October financing to order a robotic machining cell made up of two Brother SPEEDIO machining centres and a CubeBOX robotic loader, which has been tested at the supplier's facility and is expected to arrive in the coming weeks. Because the same machines produce slides, frames, barrels and bolts across the portfolio, added capacity also supports the rifle lines, spare parts and third-party contract machining. We also understand from management that FRLX is evaluating a substantially larger facility to house future small-arms, vehicle and drone programs, which we view as further upside to our estimates.

Led by Defence Veterans with Significant Ownership

FeralX is led by Founder and CEO Rob MacIntyre, a Canadian Armed Forces veteran who worked on U.S. State Department's diplomatic security programs in Iraq and Jordan before building one of Canada's largest international security companies. He subsequently transitioned into defence manufacturing, spending several years transforming a Canadian firearms manufacturer into a licensed exporter of military-grade small-arms. The management team is further supported by CFO Ira Levy, CPA, who has served as CFO of several TSXV issuers, and CTO Eelke Sijbrandij, an engineer with more than 15 years of experience in unmanned ground vehicles and defence electronics.

A key strength of FeralX's leadership team is Director Dennis Veilleux, who brings over 35 years of experience in firearms engineering, manufacturing, and executive leadership. Veilleux became president and CEO of Colt in 2013 and led the company through its 2015 Chapter 11 restructuring and subsequent turnaround. That turnaround culminated in Colt's 2021 acquisition by Colt CZ Group ($3.3B mkt cap, the largest public peer in the armament space), where he served as President of North American operations and as a board member until 2025. We believe Veilleux's manufacturing expertise, industry relationships, and experience navigating complex defence procurement give FeralX a significant strategic advantage as the Company scales production and pursues larger defence contracts. The team also includes Dr. Trevor Devine as Head of Aviation and Aerospace; Trevor combines a PhD in public safety leadership, senior command in the U.S. Marine Corps, and experience as a special missions pilot (read more in Management section).

Mr. MacIntyre is by far the Company's largest shareholder, controlling ~20.9M shares, representing ~42% of the basic shares outstanding following its October 2026 TSXV listing. His reported holdings include shares attributable to Black Creek Labs, where he also serves as CEO. Dennis Veilleux, Eelke Sijbrandij, and Blair Jordan each hold a further 300K shares, bringing combined management and board ownership to ~21.8M shares, or ~44% of shares outstanding. These holdings are subject to a three-year escrow arrangement, restricting near-term selling and reinforcing management's long-term alignment with shareholders. On October 15th, 10% of the securities held by principals of FeralX were released, and 15% will release every 6 months until all have been released.

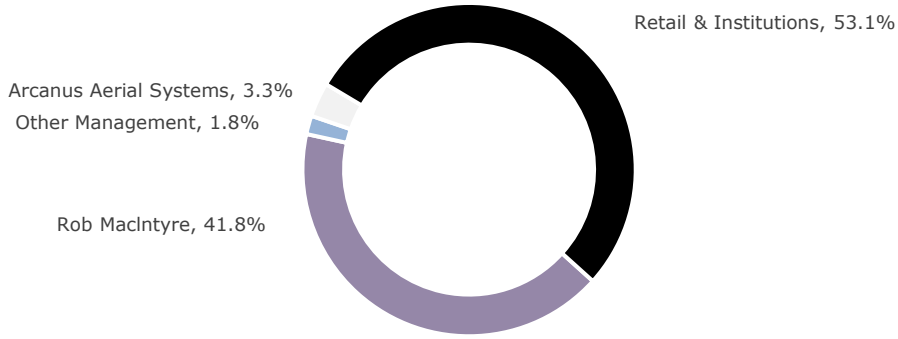


Figure 7: Ownership Summary

Valuation

Peer Group Analysis

We divide our peer group into two groups, munitions peers and drones/defence tech peers, reflecting FeralX's combination of established arms manufacturing capabilities with its growing unmanned defence systems.

The munitions group trades at an average of 2.0x/2.1x 2027E/2028E sales and 10.2x/8.7x EBITDA. This compares to FeralX at 1.0x/0.5x and 14.3x/3.7x, respectively, a discount to peers on 2028E on both metrics. The discount in multiples can partly be attributed to the group's more established revenue mix and larger scale, which generally benefit from greater production capacity, stronger contract visibility and higher operating margins. However, as FeralX scales its manufacturing operations and expands its defence contracts, we believe there is potential for this valuation gap to narrow.

The drones and defence tech group trades at an average of 2.2x/1.7x 2027E/2028E sales, and 11.0x/10.3x EBITDA. The group's higher valuations reflect exposure to rapidly growing unmanned systems markets, where increased defence spending and military adoption of autonomous technologies are creating significant growth opportunities. While FeralX's unmanned systems operations remain at an earlier stage of commercialization, its expanding manufacturing capabilities and strategic partnerships provide exposure to these same industry tailwinds.

Company	Ticker	Mkt Cap	EV	Sales CAGR	EBITDA CAGR	EBITDA Margin	EV/EBITDA			EV/Sales		
				2026E-2028E	2026E-2028E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Munitions Peers												
Colt CZ Group SE	COLT	$3,273	$4,395	7%	10%	27%	8.2x	7.4x	6.9x	2.1x	2.0x	1.8x
National Presto Industries, Inc.	NPK	$1,466	$1,456	15%	17%	14%	15.5x	13.8x	11.2x	2.1x	1.9x	1.6x
Sturm, Ruger & Company, Inc.	RGR	$1,181	$1,018	N/A	N/A	N/A	13.7x	12.1x	N/A	1.2x	1.2x	N/A
Smith & Wesson Brands, Inc.	SWBI	$992	$1,058	4%	17%	14%	12.6x	9.9x	9.3x	1.4x	1.3x	1.3x
Outdoor Holding Company.	POWW	$380	$299	6%	47%	49%	16.3x	7.6x	7.5x	4.2x	3.8x	3.7x
Munitions Average				**8%**	**23%**	**26%**	**13.3x**	**10.2x**	**8.7x**	**2.2x**	**2.0x**	**2.1x**
Drones & Defense Tech Peers												
Aerovironment, Inc.	AVAV	$8,866	$9,247	13%	44%	16%	33.8x	20.6x	16.2x	3.3x	3.0x	2.6x
Kraken Robotics Inc.	PNG	$1,274	$1,222	47%	57%	26%	17.3x	8.9x	7.0x	4.0x	2.2x	1.8x
Aevex Corp.	AVEX	$931	$780	17%	35%	20%	4.9x	3.7x	2.7x	0.7x	0.6x	0.5x
Red Cat Holdings, Inc.	RCAT	$912	$475	34%	5%	-41%	N/A	N/A	N/A	2.2x	1.6x	1.2x
Unusual Machines, Inc.	UMAC	$893	$452	74%	N/A	12%	N/A	N/A	15.2x	5.7x	2.9x	1.9x
Volatus Aerospace Inc.	FLT	$328	$292	55%	N/A	1%	N/A	N/A	N/A	7.5x	4.2x	3.1x
Draganfly Inc	DPRO	$180	$43	96%	-1%	-58%	N/A	N/A	N/A	2.8x	1.2x	0.7x
Juno Industries Ltd.	JUNO	$35	$23	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Drones & Defense Tech Average				**48%**	**28%**	**-3%**	**18.7x**	**11.0x**	**10.3x**	**3.8x**	**2.2x**	**1.7x**
Universe Average				**34%**	**26%**	**7%**	**15.3x**	**10.5x**	**9.5x**	**3.1x**	**2.2x**	**1.9x**
FeralX Systems Inc.	**FRLX**	**$25**	**$22**	**N/A**	**N/A**	**14%**	**N/A**	**14.3x**	**3.7x**	**N/A**	**1.0x**	**0.5x**

Figure 8: Peer Group Analysis (Source: Capital IQ)

Target Price Derivation

For our target price, we selected 2028 as our valuation year since we have visibility on small-arms orders and the Arcanus manufacturing agreement, but also some room for execution on growth initiatives. For 2028, we are projecting $44.3M in revenue, assuming 25,000 units delivered (23,000 pistols and 2,000 sniper rifles), translating to $35.3M in small-arms revenue, plus $8.0M from drones (Arcanus and UGVs), and $1.0M from other products. We assume a 42% gross margin for the year along with adjusted EBITDA margin of 14%. As such, key valuation metric is 2028E Adjusted EBITDA of $6.0M which we apply a 9.0x multiple onto. This represents a slight premium to the munitions peers for the superior growth but a lower multiple than the drones/technology group, with potential to upgrade. This results in an EV of $54.4M, to which we add the PF net cash balance, obtaining our $1.25/share target price. The target price is equivalent to 1.3x 2028E sales.

EBITDA Multiple Valuation	
2028E EBITDA	$6.0
EV/EBITDA Multiple	9.0x
Enterprise Value	$54.4
(+) Cash	$2.8
(-) Debt	$0.0
Equity Value	$57.2
Target Price (Rounded)	**$1.25**
Upside	*150%*

Figure 9: Target Price Calculation

		2028E EBITDA Multiple				
		7.0x	8.0x	9.0x	10.0x	11.0x
2028E EBITDA	$5.0M	$0.75	$0.75	$1.00	$1.00	$1.25
	$5.5M	$0.75	$1.00	$1.00	$1.25	$1.25
	$6.0M	$1.00	$1.00	**$1.25**	$1.25	$1.50
	$7.5M	$1.00	$1.25	$1.50	$1.50	$1.75
	$8.0M	$1.25	$1.25	$1.50	$1.75	$1.75

Figure 10: Sensitivity Analysis

DCF Valuation

For our DCF, we assume revenue scales gradually to $76.2M in 2031 while margins improve slightly YoY until then. We assume modest capex increases each year and working capital requirements, decreasing cash conversion. We apply a 7.0x exit multiple and 12% WACC in order to reaffirm our target price, a discount to the target multiple listed above as the business will be more mature and slower growing; more aligned with the munitions peers.

	2027E	2028E	2029E	2030E	2031E
Revenue ($M)	22.7	44.3	57.9	68.1	76.2
Adj. EBITDA ($M)	1.5	6.0	10.2	12.7	14.4
FCFF ($M)	(6.9)	(0.2)	3.8	5.7	7.4
PV of FCFF	(6.1)	(0.1)	2.7	3.6	4.2

WACC	
Cost of Equity	12%
Cost of Debt	8%
% Equity	100%
% Debt	0%
WACC	12%

DCF	
Sum of PV FCFFs	$4.3
FY31E EBITDA	$14.4
Exit Multiple	7.0x
Terminal Value	$100.9
PV of Terminal Value	$57.2
Enterprise Value	$61.5
(+) Cash	$2.8
(-) Debt	$0.0
Equity Value	$64.3
Target Price (Rounded)	**$1.25**
Upside	*150%*

Figure 11: DCF Summary

		Exit EBITDA Multiple				
		5.0x	6.0x	7.0x	8.0x	9.0x
WACC	14%	$1.00	$1.00	$1.25	$1.25	$1.50
	13%	$1.00	$1.00	$1.25	$1.50	$1.50
	12%	$1.00	$1.25	**$1.25**	$1.50	$1.75
	11%	$1.00	$1.25	$1.25	$1.50	$1.75
	10%	$1.00	$1.25	$1.50	$1.50	$1.75

Figure 12: DCF Sensitivity

Tear Sheet

Market Data	
Ticker	FRLX:TSXV
Stock Price	$0.50
Rating	BUY
Target Price	$1.25
Upside	150%
Market Cap ($M)	$25.0
Cash ($M)	$2.8
Debt ($M)	$0.0
EV ($M)	$22.2

Capital Structure	
Basic Shares Outstanding (M)	50.0
Warrants (M)	3.9
Options (M)	0.0
FD Shares (M)	53.9
FD ITM Shares (M)	50.0

Ownership	
Rob MacIntyre (CEO)	42%
Other Management & Board	2%
Retail & Institutions	53%

Financial Estimates	2025A	Q1/26A	Q2/26A	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	2028E
Revenue ($M)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**3.8**	**5.6**	**6.1**	**7.3**	**22.7**	**44.3**
% YoY	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*95%*
Gross Profit ($M)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.6**	**2.4**	**2.6**	**3.1**	**9.8**	**18.4**
Gross Margin	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*43%*	*43%*	*43%*	*43%*	*43%*	*42%*
Adj. EBITDA ($M)	**(0.0)**	**(0.0)**	**(0.6)**	**(1.7)**	**(1.7)**	**(4.1)**	**0.1**	**0.4**	**0.4**	**0.6**	**1.5**	**6.0**
Adj. EBITDA Margin	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*3%*	*7%*	*7%*	*8%*	*7%*	*14%*
Net Income ($M)	(0.0)	(0.0)	(0.5)	(3.2)	(3.2)	(7.0)	(1.4)	(1.1)	(0.6)	(0.4)	(3.5)	1.1
EPS (Basic)	(0.02)	(0.00)	(0.02)	(0.06)	(0.06)	(0.22)	(0.03)	(0.02)	(0.01)	(0.01)	(0.07)	0.02
FCFF ($M)	0.0	(0.0)	(2.0)	(3.3)	(2.0)	(7.3)	(3.8)	(1.7)	(0.5)	(0.9)	(6.9)	(0.2)

Figure 13: Tear Sheet

Company Overview

Business Model

FeralX designs and manufactures small-arms and unmanned systems in Ontario for military and law enforcement customers in Canada and allied countries. Revenue comes from its small-arms products and from contract work on the same production line, including drone assemblies for Arcanus, replacement parts, and third-party machining.

The business is built to expand in stages as FeralX secures each regulatory approval. Its Business Firearms Licence (received in August 2026) covers small-arms, parts, and gunsmithing today, while civilian ground vehicles and commercial drone assemblies require no additional approvals. Registration under the Controlled Goods Program (expected in 2027) opens armed ground vehicles and larger military drones. Management has stated that its primary objective is growth in contracted revenue converted into free cash flow per share, and that it will add production capacity only against contracted demand.

Product Portfolio

FeralX builds small-arms and unmanned systems for the individual operator. Small-arms are the near-term revenue base, as FeralX can manufacture its four rifles and pistols under the licence it received in August, while the Muskrat UGV and the Arcanus drone work give the Company exposure to the uncrewed systems that sit at the centre of Canada's Defence Industrial Strategy. FRLX intends to build the weapons a soldier carries and then mount those same weapons on its own ground and aerial platforms, giving it full exposure to an operator's loadout.

Small-Arms

FeralX's small arms line is built on a growing base of Canadian-owned IP, combining designs it owns outright with rifles it builds under licence. The PX-19 Foxbat and SRV2 Badger came with the Next Dynamics IP acquisition in May 2026. Because the designs are Canadian-origin and are not built from U.S. ITAR-controlled data, they are not controlled goods, and FeralX can manufacture and sell them under its Business Firearms License without Controlled Goods Program registration.

- **PX-19 Foxbat** – a 9mm Glock-pattern duty pistol with a machined aluminum frame.
- **SRV2 Badger** – a 5.56 NATO and .300 BLK piston-driven combat rifle.
- **PGW Timberwolf** – a .338 Lapua Magnum bolt-action sniper rifle (in service with the Canadian Armed Forces as the C14 since 2005).
- **Direwolf** – a semi-automatic .338 Lapua Magnum sniper rifle

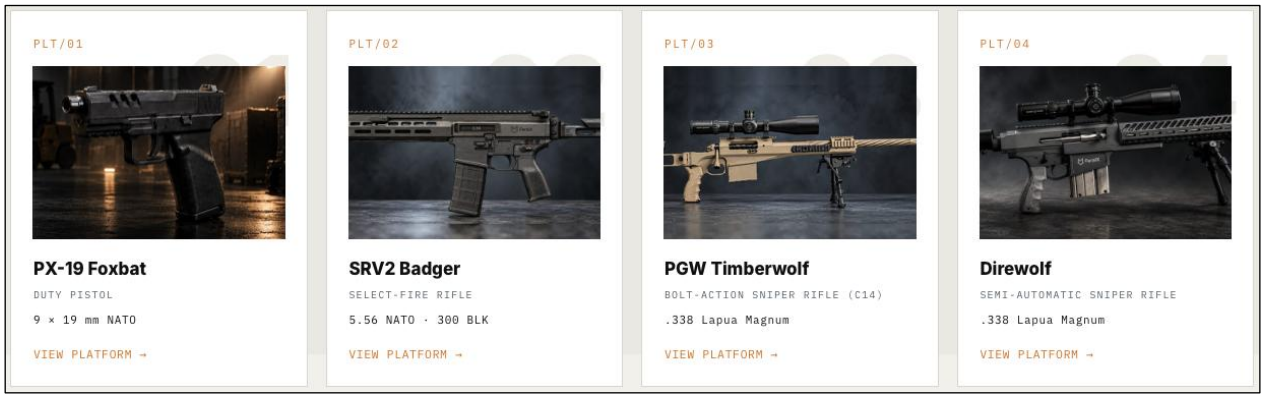


Figure 14: FeralX Small-arms Platform (Source: Company Documents)

Next Steps
FeralX is also designing its own FX240 medium machine gun and FX249 light machine gun in-house, targeted for introduction in 2027. These would extend the portfolio from individual weapons to crew-served roles on the same production line, and they are the products most directly comparable to the machine-gun replacement cycles discussed in our industry section.



Figure 15: FX240/FX249 Belt-Fed Machine Gun on an Unmanned Ground Vehicle (Rendering) (Source: Company Documents)

Unmanned Systems
FeralX is developing man-portable ground vehicles and manufacturing aerial drones. Management chose to focus its own product development on ground vehicles because it views the aerial drone market as crowded and increasingly technical. As the distance between opposing forces has stretched to 30 to 100km, small drones must fly further through improving counter-drone defences, pushing demand toward larger, specialized aircraft, while man-portable ground vehicles that move with the dismounted soldier remain comparatively underserved. FeralX began UGV work roughly two years ago and has already shipped units to Ukraine for testing.

On the ground, FeralX is developing its own man-portable UGV, the Muskrat, and in the air, FeralX acts as a contract manufacturer rather than a designer, putting its machining and moulding capacity to work on other companies' drone programs. Both lines start with configurations that need no Controlled Goods registration, so we expect development and demonstration work in the near term and meaningful revenue from 2027.

Muskrat UGV

The Muskrat is a tracked UGV built on a carbon-fibre modular chassis, designed to move with a dismounted patrol and be deployed in minutes by a single operator. It comes in two variants that share the same chassis, track drives, batteries and controller. The Muskrat R is a ~20kg reconnaissance unit light enough to be carried in on an operator's back, with a stabilized day and thermal camera on an elevating mast, while the Muskrat C is a cargo carrier that takes up to 150kg on its deck and tows 300kg, moving ammunition, water and casualties so soldiers do not have to. Several units can be run from one controller as a linked team, with follow-me, waypoint and convoy modes.

FeralX will first sell the Muskrat in non-militarized configurations for ISR, bomb disposal, casualty evacuation and logistics, which require neither a firearms licence nor Controlled Goods registration. The longer-term plan is to mount the operator's own weapons on the vehicle under operator-in-the-loop control, including small-arms and shoulder-fired rocket launchers such as the M72, which removes soldiers from the line of fire in breaching and anti-armour roles. The Muskrat is a vehicle platform and is distinct from the FX240/FX249 machine guns shown in the figure above.

Specification	Muskrat R
Unladen weight	20 kg base unit; man-portable
Operational radius from GCS	5 km RF with live video; 100 m remote antenna
Speed	18 km/h
Endurance, continuous motion	6 h unladen; hot-swap battery
Gradient	30° slope; 15% side slope
Day recognition	Person 0.8 km; vehicle 1.5 km, stabilized EO
Night recognition	Person 0.4 km; vehicle 0.8 km, uncooled IR
Look-over height	1.2 m elevating mast, 360° pan
Temperature	−30 to +50 °C
Stationary endurance	72 h sensor watch, low-power mode
Noise at 500 m	Electric drive; below threshold
Non-EM control	Fibre-optic tether option, 500 m
Control station	Waypoint, follow-me, GNSS-denied dead reckoning; TAK plug-in
Deployment	Under 5 min, one operator

Specification	Muskrat C
Onboard carry	150 kg deck load
Tow capacity	300 kg articulated trailer module
Container fit	Deck sized to tri-wall and NATO transit case
Unladen weight	180 kg
Radius, remote / autonomous	6 km / 12 km
Speed	18 km/h; 10 km/h at rated load
Endurance	6 h unladen; 4.5 h laden
Grade / side slope	30% / 20%
Vertical step / trench	300 mm / 600 mm
Temperature	−30 to +50 °C
Obstacle avoidance	Lidar and EO forward sensing
Recovery	NATO tow hook, front and rear
Deployment	Under 10 min; four per PLS deck
Modes	Follow-me, waypoint, convoy-link to Muskrat R

Figure 16: Muskrat R and Muskrat C Specifications (Source: Company Documents)

Arcanus Production Agreement

FRLX's aerial work is anchored by a five-year production agreement with Arcanus Aerial Systems, which is a Toronto-based drone and counter-UAS company selling to NATO and allied customers. The Company will build and test components and assemblies against Arcanus purchase orders, starting with small interceptor drones and moving to larger platforms as volumes grow. Arcanus also invested $1.0M in FeralX at $0.60 per unit in July 2026 (about 3.3% of the shares outstanding). Assembly of ISR drones began in October at the Company's facility.



Figure 17: Arcanus Fixed-Wing VTOL Unmanned Aircraft (Source: Company Documents)

AI-Enabled Systems

Longer term, FRLX aims to supply a full capability stack for the dismounted soldier, using AI-enabled sensor fusion developed in house to combine feeds from its ground and aerial platforms and letting operators fire their own weapons remotely from them, with aerial and maritime platforms pursued through joint ventures.

Components, Services, and Mission Support

Beyond complete firearms, FRLX can sell individual parts and use its equipment for outside customers. The same machines that build its rifles and pistols can produce barrels, pistol slides and frames, bolts, suppressors and moulded polymer grips, which the Company can sell to military and police armouries as replacement parts or to other gunmakers as components. FRLX can also repair and modify firearms for customers and take on contract machining and injection moulding work for third parties in defence and aerospace. None of this requires new product approvals or licences beyond the firearms licence FeralX already holds.

Competitive Positioning

FRLX's competitive positioning is that it is the only Canadian supplier covering the full kit of a dismounted soldier, from small-arms to ground and aerial unmanned systems. The established small-arms makers, including Colt Canada, SIG Sauer, and FN Herstal, do not build unmanned ground vehicles, while large defence primes such as L3Harris and General Dynamics focus on vehicle mounted and fixed systems rather than man-portable supplies.

Company	Small Arms	Ground UGV	Aerial Drones	AI Targeting	Man-Portable	Canadian-Made
FeralX	✓	✓	**Partner**	✓	✓	✓
Colt Canada	✓	–	–	–	✓	✓
SIG Sauer (U.S. / Germany)	✓	–	–	–	✓	–
FN Herstal (Belgium)	✓	–	–	–	✓	–
L3Harris / General Dynamics (U.S.)	Partial	–	Partial	✓	–	–

Figure 18: Competitive Landscape (Source: Company Documents)

Canada's incumbent small-arms supplier, Colt Canada, has been the Department of National Defence's designated small-arms centre of excellence since 1976. While its rifles are made in Kitchener, Ontario, the company has been a wholly owned subsidiary of Colt CZ Group out of Prague since 2021, making it Canadian-made but not Canadian-owned. Prime Minister Carney's Defence Industrial Strategy draws on that exact distinction, and it commits to securing domestic ownership and control over critical defence capacity and IP, and pushes foreign contractors to do more direct work with Canadian-controlled firms rather than Canadian subsidiaries. We believe this positions FeralX, whose designs and IP are owned and controlled in Canada, to compete for small arms work that has gone to a single foreign-owned supplier for decades.

Manufacturing & Facilities

FeralX designs, machines and tools its own products under one roof, taking new designs from drawing to tested prototype in-house, which management views as its core advantage over smaller Canadian peers that outsource this work. In-house mould-making lets the Company design and produce its own tooling and polymer parts, saving development time and cost, and was a key reason Arcanus selected FeralX as its contract manufacturer.

The Company operates from a ~30,000 SF facility near Peterborough, Ontario, licensed under its Business Firearms Licence, with most current capacity dedicated to pistol production. The core of the floor is the $5.24M of equipment acquired from Black Creek Labs in October, including Swiss-type CNC turning centres, CNC lathes, an injection moulding line, inspection equipment and production fixtures for pistol, rifle and suppressor components. FeralX added two Makino a51nx high-speed horizontal machining centres in July 2026 for US$702K, and pistol slides are now produced on five Makino machining centres, lifting small-arms output to ~3,600 units per month. As mentioned above, a robotic machining cell for frames is arriving in the coming weeks, and management is evaluating a substantially larger facility to support future small-arms, vehicle and drone programs.



Figure 19: Production Floor (Source: Company Documents)

History

FeralX's public entity was a dormant shell until April 2026, when CEO and Founder Rob MacIntyre began consolidating the designs, equipment and licences built up across his private firearms and manufacturing businesses into a single listed company.

2020 – Incorporated as 1246777 B.C. Ltd. and spun out of 2583262 Ontario Inc. as a reporting issuer

April 2026 – Renamed FeralX Systems Inc. and signed a letter of intent with the principals of Next Dynamics and Black Creek Labs

May 2026 – Acquired small-arms designs from Next Dynamics ($595K) and raised $1.7M at $0.40/share

June 2026 – Signed a five-year production agreement with Arcanus Aerial Systems

July 2026 – Received a $1.0M strategic investment from Arcanus and acquired two Makino machining centres (US$702K)

August 2026 – Received its Business Firearms Licence from the Chief Firearms Officer of Ontario

October 2026 – Acquired Black Creek Labs' production equipment ($5.24M), closed a $5.4M offering at $0.60/unit and listed on the TSXV under FRLX

Financials

Balance Sheet

As of June 30th, FRLX had $1.7M in current assets, comprised mainly of $0.8M in a note receivable and $0.8M in prepaid assets. The cash balance was just $16K but this was prior to the private placement, asset acquisition, and equipment purchases. Since the financials, FRLX raised $4.5M in equity, purchased Black Creek's assets for $0.8M, and purchased additional equipment for US$0.7M; as such, we estimate PF cash at $2.8M. On the liabilities side, FeralX has $0.4M in current liabilities mainly, $0.3M in A/P, and no long-term liabilities. Therefore, the balance sheet is very strong and conducive to growth going forward.

Capital Structure

As of its last MD&A (September 4, 2026), FeralX had 36.6M shares outstanding and no options outstanding. After the Black Creek Labs transaction and the September 29th private placement, pro-forma basic shares are 50.0M. There are also 3.9M warrants outstanding, all struck at $1.00 and expiring in roughly two years. The financing was conducted at $0.60 per unit, raising $5.4M, a 50% step-up from the $0.40 financing in May. While we expect FRLX to be profitable going forward, it is likely that the Company raises additional equity funds to support faster growth.

Financial Forecast

Our financial statement projections can be found below, broken down by segment. We use a bottom up approach, projecting armament units sold hitting 24,000 in 2027 mostly being pistols at $750/unit. We project 25,000 in 2028, with a larger weighting on the higher priced snipers. Gross margins start out stronger 43% in Q1/27 as armament revenue represents a large majority of the total and is higher margin (typically 40-50%). Gross margins decrease into 2028 as UGV revenue scales up at ~25% gross margin, before increasing again in 2029 with scale. Adjusted EBITDA margins increase to 14% in 2028, conservatively below the munitions group average of 26%.

Financial Estimates	2025A	Q1/26A	Q2/26A	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	2028E
Armament	0.0	0.0	0.0	0.0	0.0	0.0	3.8	5.3	5.4	6.3	20.7	35.3
Drones	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.7	1.0	2.0	8.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Revenue ($M)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**3.8**	**5.6**	**6.1**	**7.3**	**22.7**	**44.3**
% YoY	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*95%*
Gross Profit ($M)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.6**	**2.4**	**2.6**	**3.1**	**9.8**	**18.4**
Gross Margin	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*43%*	*43%*	*43%*	*43%*	*43%*	*42%*
Operating Expenses	0.0	0.0	0.6	3.2	3.2	7.1	3.0	3.5	3.2	3.5	13.2	16.8
Operating Income ($M)	**(0.0)**	**(0.0)**	**(0.6)**	**(3.2)**	**(3.2)**	**(7.1)**	**(1.4)**	**(1.1)**	**(0.6)**	**(0.4)**	**(3.5)**	**1.5**
Operating Income Margin	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*(37%)*	*(20%)*	*(9%)*	*(5%)*	*(15%)*	*3%*
Adj. EBITDA ($M)	**(0.0)**	**(0.0)**	**(0.6)**	**(1.7)**	**(1.7)**	**(4.1)**	**0.1**	**0.4**	**0.4**	**0.6**	**1.5**	**6.0**
Adj. EBITDA Margin	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*3%*	*7%*	*7%*	*8%*	*7%*	*14%*
Net Income ($M)	(0.0)	(0.0)	(0.5)	(3.2)	(3.2)	(7.0)	(1.4)	(1.1)	(0.6)	(0.4)	(3.5)	1.1
EPS (Basic)	(0.02)	(0.00)	(0.02)	(0.06)	(0.06)	(0.22)	(0.03)	(0.02)	(0.01)	(0.01)	(0.07)	0.02
Capex ($M)	0.0	0.0	0.0	2.0	0.3	2.3	0.4	0.4	0.4	0.4	1.6	2.0
FCFF ($M)	0.0	(0.0)	(2.0)	(3.3)	(2.0)	(7.3)	(3.8)	(1.7)	(0.5)	(0.9)	(6.9)	(0.2)

Figure 20: Financial Forecast

Recent Announcements

On November 10th, FeralX announced the appointment of Dr. Trevor Devine as Head of Aviation and Aerospace. Trevor combines a PhD in public safety leadership, senior command in the U.S. Marine Corps, and experience as a special missions pilot. Dr. Devine will lead the expansion of the Company's aviation and unmanned aerial systems (UAS) business, focusing on developing Canadian manufacturing capabilities, establishing international partnerships, and pursuing military and commercial opportunities.

On October 27th, FeralX announced an increase in small-arms production at its Ontario manufacturing facility from ~800 to 3,600 units per month, representing a 4.5x increase in output. The Company is now producing slides across five Makino CNC machining centres, with first deliveries of finished products expected in Q1/27. To further expand production capacity, FeralX has ordered an automated machining cell consisting of two Brother SPEEDIO machining centres and a CubeBOX robotic loading system, funded through proceeds from its recently completed financing. The equipment has been tested and is expected to arrive at its Ontario facility in the coming weeks. In its unmanned systems division, FeralX has begun receiving and assembling intelligence, surveillance and reconnaissance (ISR) drones for Arcanus Aerial Systems under its previously announced five-year production and commercialization agreement

On October 16th, FeralX announced the Company, would start trading on the TSXV on October 19th, following the completion of an oversubscribed $5.4M financing on October 14th. The Company issued 9.0M units at $0.60 per unit, with each unit consisting of one common share and one-half warrant exercisable at $1.00 for 24 months. Proceeds will primarily fund capital equipment purchases, operating expenses, and working capital requirements over the next 12 months. Additionally, ~28.1M shares issued in connection with the Company's previously completed amalgamation are subject to a 36-month escrow agreement.

On October 1st, FeralX announced the completion of its $5.24M acquisition of manufacturing assets from Black Creek Labs, including machinery, equipment, tooling, and raw materials for small-arms and drone production. Consideration consisted of $800K in cash and 7.41M common shares issued at $0.60/share. The Company also closed a $2.36M private placement at $0.60/unit, bringing cumulative proceeds under the financing to $4.41M. Each unit consists of one common share and half a warrant exercisable at $1.00 for 24 months. The Company also completed its three-cornered amalgamation in connection with its proposed TSXV listing.

On July 17th, FeralX announced the closing of a $2.05M private placement, issuing 3.42M units at $0.60/unit, with each unit consisting of one common share and half a warrant exercisable at $1.00 for 24 months. The Company also announced the acquisition of two Makino machining centres to expand its precision manufacturing capabilities and support increased production capacity.

On June 5th, the Company announced a five-year, non-exclusive manufacturing agreement with Arcanus Aerial Systems to manufacture, assemble, test, and deliver components for unmanned aerial systems in Canada. The agreement establishes a long-term manufacturing relationship, although production volumes are dependent on purchase orders and no minimum volumes are guaranteed. Arcanus also committed to a $1.0M strategic equity investment, subject to closing. Additionally, the Company announced the completion of its acquisition of certain Canadian intellectual property assets from Next Dynamics Corp. The Company also closed the third tranche of its private placement, raising $630K through the issuance of 1.58M common shares at $0.40/share. Additionally, FeralX appointed Ira Levy as CFO, bringing over 20 years of experience in corporate finance, capital markets, and public-company financial management.

On May 14th, FeralX announced the closing of the second tranche of its private placement, raising $647.5K through the issuance of 1.62M common shares at $0.40/share. The Company also provided a $425K unsecured promissory note to Black Creek Labs, a related party, bearing 1% annual interest and repayable on demand. Proceeds from the financing are intended to support working capital and corporate development initiatives.

On May 6th, the Company announced a proposed $2.0M private placement consisting of up to 5.0M common shares at $0.40/share and completed the first tranche of the financing. FeralX also entered into a definitive asset purchase agreement with Next Dynamics Inc. to acquire certain intellectual property assets related to defence technology. Proceeds from the financing were intended to support working capital, general corporate purposes and additional asset acquisitions.

On May 1st, FeralX announced its corporate name change from 1246777 B.C. Ltd. to FeralX Systems Inc., alongside the completion of two initial financings. These included a founder-led seed financing of 22.0M shares for $2.2K, involving principals of Next Dynamics and Black Creek Labs, and a private placement of 1.85M shares at $0.01/share, raising $18.5K. The Company also announced a letter of intent relating to the acquisition of intellectual property from Next Dynamics, supporting its entry into the defence technology sector.

Industry Overview

FeralX sits at the intersection of three structural shifts, including 1) a generational step-up in NATO defence budgets, 2) Canada's first Defence Industrial Strategy, which directs procurement toward Canadian suppliers, and 3) the battlefield's move toward uncrewed and autonomous systems. Canada has gone from one of NATO's lowest spenders to 2% of GDP in a single year and has pledged 5% by 2035, while Ottawa now targets awarding 70% of defence procurement to Canadian firms. We break down each of these themes below, followed by the end markets FeralX serves directly, including small-arms, uncrewed aerial and ground systems, and intelligence, surveillance and reconnaissance (ISR).

Global Rearmament

Global military spending reached US$2.89T in 2025, up 2.9% and marking the 11th consecutive year of growth, according to SIPRI. Military spending now absorbs 2.5% of global GDP, its highest share since 2009.

The shift within NATO has been even sharper. NATO Europe and Canada spent ~2.3% of GDP on defence in 2025, up from ~1.4% in 2014, and every reporting ally now sits at or above the 2.0% guideline. At the June 2025 Hague Summit, allies raised the bar again, committing to 5.0% of GDP by 2035, made up of 3.5% for core defence and 1.5% for defence-related infrastructure and resilience. As seen below, Canada now sits at 2.01%, in the bottom half of the alliance, leaving substantial room to grow toward the 3.5% core target.

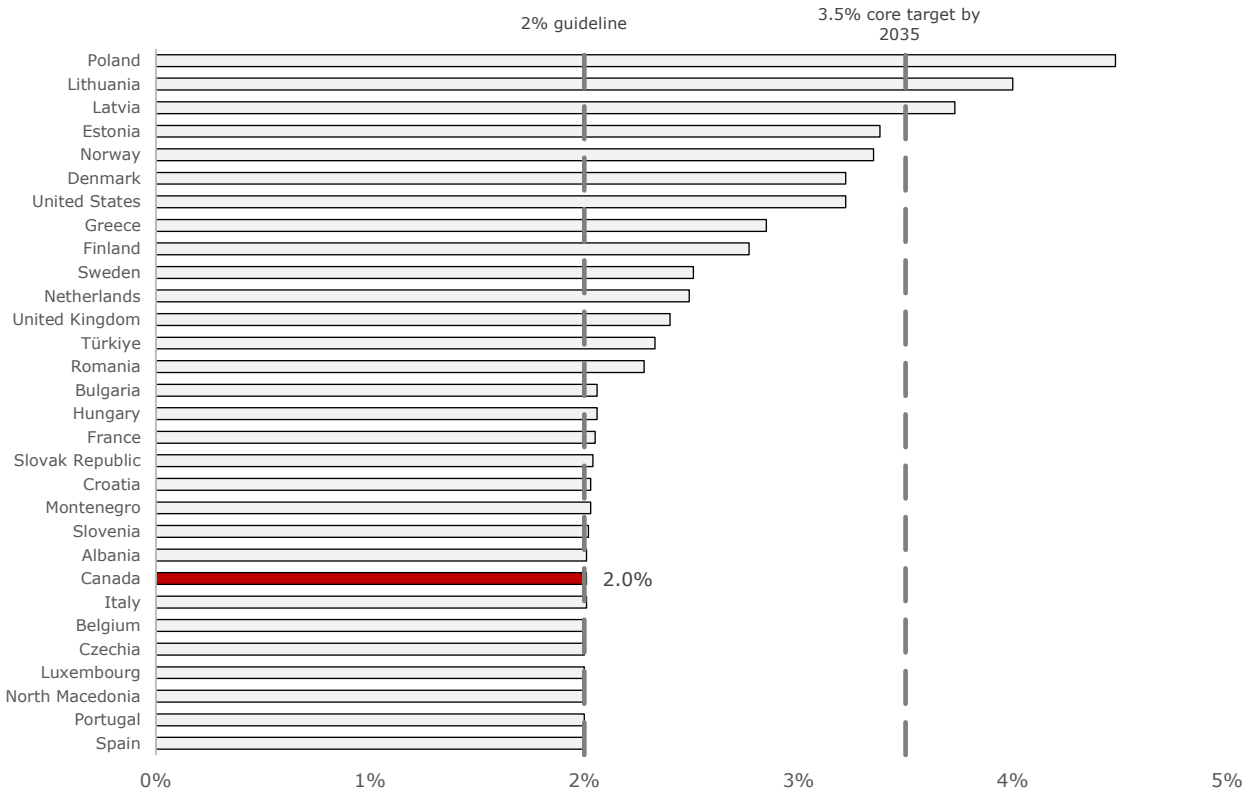


Figure 21: NATO Defence Expenditure as a Share of GDP – 2025 (Source: NATO)

Canada Rearms

Canada is in the middle of the largest defence spending increase in its modern history. According to NATO, Canadian defence expenditure rose from $20.1B (~1.0% of GDP) in 2014 to an estimated $62.7B (2.0% of GDP) in 2025, a 42% jump in a single year that took Canada to the 2% guideline for the first time. The Government confirmed the milestone in March 2026, citing more than $63B in spending for 2025-26, and Budget 2025 outlined a further $81.8B to rebuild, rearm, and reinvest in the Canadian Armed Forces.

Importantly for manufacturers, the mix is shifting toward equipment. Equipment purchases rose from 13.0% of Canada's defence budget in 2014 to 22.6% in 2025, which translates to ~$14.1B, more than 5x the ~$2.6B spent in 2014.

We believe that the runway ahead shows further growth as Canada has committed to the NATO Defence Investment Pledge of 5% of GDP by 2035. Assuming nominal GDP grows at a conservative 3% annually, we estimate this implies ~$210B in annual defence and security spending by 2035, including ~$147B in core defence, or ~2.3x today's core budget.

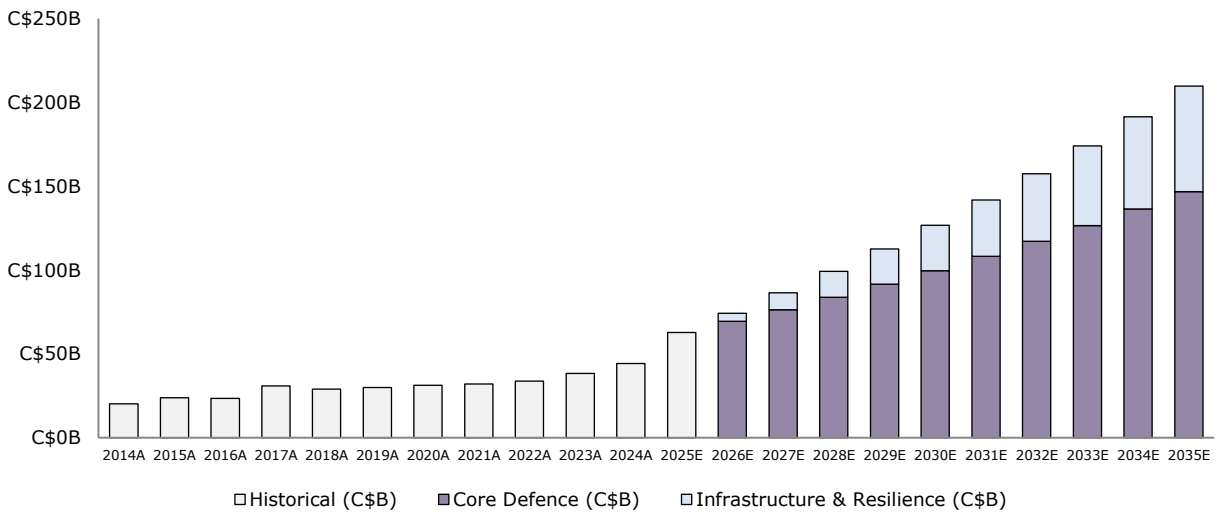


Figure 22: Canadian Defence Expenditure – 2014-2025E and 2035 Pledge (Source: NATO, Atrium Research)

Canada's Defence Industrial Strategy

On February 17th, the Government released Security, Sovereignty and Prosperity, Canada's first Defence Industrial Strategy (DIS). The DIS shifts procurement from "buy from allies" to "buy Canadian first," with the stated aim of reducing reliance on foreign suppliers and building national champions. In total, the Government describes it as an investment of more than half a trillion dollars in Canadian security, which combines the procurement and infrastructure envelopes below. The headline targets over the next ten years are shown below:

	Target / Opportunity
Direct defence procurement opportunities	$180B
Defence-related capital investment (infrastructure)	$290B
Share of defence acquisitions awarded to Canadian fi	70%
Growth in Canadian defence industry revenues	>240%
Growth in defence exports	50%
New jobs created	125,000

Figure 23: Defence Industrial Strategy Headline Targets (Source: Government of Canada)

Build - Partner - Buy

The DIS sets a clear order of preference for every acquisition, as outlined below.

1. **Build**. In areas of homegrown strength and sovereign capability, new procurements will prioritize Canadian firms and Canadian manufacturing as a matter of policy.
2. **Partner**. Where Canada cannot build alone, it will co-develop and co-produce with trusted allies, with shared work and shared intellectual property.
3. **Buy**. Only when building or partnering is not feasible will Canada buy from allies, and then with conditions requiring reinvestment in Canadian industry and sovereign control over sustainment.

A new **Defence Investment Agency (DIA)**, created in October 2025, is the single point of contact for defence procurement and is mandated to accelerate it. The DIS also includes a "Canadian Company Boost" for bids with 70-100% Canadian content, a new $4B Defence Platform at the Business Development Bank of Canada, $379.2M for the Regional Defence Investment Initiative to integrate small and medium-sized businesses (SMBs) into defence supply chains, and a $105M Drone Innovation Hub at the National Research Council.

Ten Capability Areas

The DIS names ten capability areas where Canada intends to build at home, with two of them mapping directly to FeralX's product lines, including small-arms, which the Strategy places explicitly within the Ammunition capability area.

Sovereign Capability Area	Scope (per the DIS)	FeralX Alignment
Ammunition	**Standard rounds, combat munitions, small arms and small arms ammunition, guided and unguided weapons**	**Direct (SRV2 Badger/Grizzly, PX19, LRX Arctos; FX240/FX249 in development)**
Uncrewed and Autonomous Systems	**Uncrewed land, air, underwater and surface systems**	**Direct (Muskrat UGV; Arcanus UAS contract manufacturing)**
Specialized Manufacturing	**Land vehicles, surface ships, icebreakers and marine systems**	**Indirect (precision CNC, tooling and molding capacity for primes)**
Sensors	Marine, quantum and electronic warfare sensing	Partnered (manned and unmanned ISR through Mission Support)
In-Service Support	Sustainment of naval, land and air fleets	Potential (parts and sustainment work)
Aerospace	Aircraft platforms, flight electronics, onboard communications	Limited
Digital Systems	Secure cloud, AI, quantum, command and control	Limited
Space	ɹbital ISR, space domain awareness, satellite communication	None
Training and Simulation	Training systems for naval, land and air forces	None
Personnel Protection	Medical countermeasures	None

Figure 24: Capability Areas and FeralX Alignment (Source: Government of Canada)

Access to European Demand

Canada signed an agreement in mid-February to join the EU's Security Action for Europe (SAFE) program, a €150B loan facility for defence procurement, and EU member states gave final approval on June 15th, 2026. Canada is the first non-European country to participate, meaning Canadian companies and products can now bid for SAFE-funded contracts.

Canada's Defence Industrial Base

According to the Canadian Government, close to 600 firms generated $14.3B in defence revenues in 2022, contributing $9.6B to GDP and supporting ~81,000 jobs across the value chain. The base is dominated by smaller players, as SMBs account for 92% of defence firms but only 40% of sector employment. The industry is also export-oriented, with 49% of defence products and services sold abroad, 69% of which go to the U.S., UK, Australia, and New Zealand.

The DIS targets growing industry revenues by more than 240%, which on the 2022 base implies roughly $49B in annual defence revenues, along with more than $5.1B in incremental annual defence revenues for Canadian SMBs. We believe this sets up a multi-year capacity shortfall, particularly for companies that already hold the licences and machinery to produce controlled goods.

The Sovereignty Gap

Recent awards show how much of Canada's defence supply still comes from foreign-owned or foreign-based suppliers:

- **Rifles**. In March 2026, the DIA awarded Colt Canada the Canadian Modular Assault Rifle (CMAR) contract to replace the C7/C8 fleet, which has been in service for more than 35 years. Colt Canada has been owned by Czech-based Colt CZ Group since 2021.
- **Counter-drone systems**. The first phase of Canada's Counter-Uncrewed Air Systems project went to three foreign suppliers: TRD Systems (Singapore), CACI (U.S.), and Leonardo (UK).

We will note that the DIS defines "Canadian" largely by Canadian manufacturing and content, so foreign-owned firms with Canadian plants remain eligible. That said, Canadian-controlled suppliers with domestic production and IP, such as FeralX, sit squarely within the "Build" tier the Strategy prioritizes.

Small-Arms

Small-arms are FeralX's core in-production business today, and IMARC estimates that the global small-arms market reached US$11.0B in 2025 and will grow to US$16.6B by 2034 (a 4.5% CAGR), with military buyers accounting for the majority of demand and North America representing the largest region. While this is a mature market, we see three drivers that favour a domestic producer like FeralX.

The first is replacement cycles, as Canada's service rifles have been in use for more than 35 years and the Canadian Modular Assault Rifle (CMAR) program, awarded to Colt Canada in March 2026, covers up to 65,402 replacements, with machine guns and precision rifles on similar multi-decade cycles that FeralX's FX240/FX249 (targeted for 2027) and LRX Arctos are positioned for. The second is policy, as the DIS places small -arms within the Ammunition capability area under the "Build" tier, meaning new procurements are to prioritize Canadian firms. The third is standardization, as FeralX's platforms are chambered in NATO calibres (5.56 and 7.62), keeping them compatible with allied supply chains and eligible for allied procurement, including SAFE-funded programs in Europe.

Uncrewed and Autonomous Systems

The war in Ukraine has made low-cost uncrewed systems a central part of modern combat, and procurement budgets are following. MarketsandMarkets estimates the military drone market at US$34.9B in 2026, growing to US$109.2B by 2031 (a 26% CAGR). Within this, interceptor drones, the category FeralX is beginning to assemble for Arcanus, are forecast to grow from US$1.4B in 2025 to US$8.8B by 2032 (30% CAGR). Cheap, mass-produced drones have overwhelmed traditional air defences, and firing a missile at a low-cost drone is a losing cost exchange. Interceptor drones close that gap. Unmanned ground vehicles (UGVs), the market FeralX's Muskrat targets, are a smaller but growing category, forecast to rise from US$3.8B in 2025 to US$9.9B by 2036 (9% CAGR), with small, man-portable tactical UGVs holding a significant share.

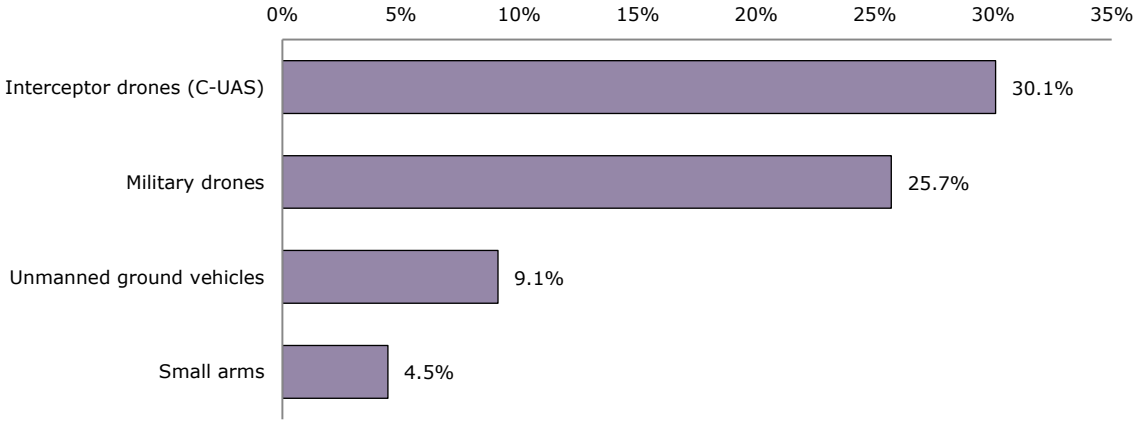


Figure 25: Forecast Market Growth by FeralX End Market (Source: MarketsandMarkets, IMARC)

In mid-2026, the DIA launched the Defence Drone Initiative (DDI) Marketplace, a pre-qualified supplier pool open to Canadian firms covering uncrewed systems, counter-drone capabilities and integration. Its first award went to Volatus Aerospace (FLT:TSX, ~$328M mkt cap) in September for 100 tactical ISR drones, with options for up to 5,000 systems at a maximum price of $5,000 per system. This shows how Ottawa is now buying drones, in volume, at low unit cost, and from domestic suppliers. These are exactly the requirements a Canadian contract manufacturer like FeralX is built to serve.

Management & Board

Rob MacIntyre – Founder & CEO

Mr. MacIntyre brings over 20 years of experience in military operations, international security, defence manufacturing, and business leadership. He is a Canadian military veteran and previously worked as a contractor for the U.S. Diplomatic Security Service. Earlier in his career, Mr. MacIntyre founded and operated an international security company that employed more than 2,000 armed personnel across Afghanistan, Iraq, and other international markets. He subsequently became President and CEO of Black Creek Labs, a Canadian firearms manufacturer specializing in military-grade small-arms, precision manufacturing, and weapons systems. Mr. MacIntyre also serves as CEO and President of Next Dynamics Inc. (OTC: NEXD), a defence technology company focused on advanced weapons systems and military technologies, including unmanned ground vehicles. His experience overseeing defence manufacturing operations and developing military technologies provides FeralX with expertise in operational execution, strategic planning, and commercialization. Mr. MacIntyre owns 20.9M shares, representing an ownership of 42% of the company.

Dennis Veilleux – Director & Strategic Advisor
Mr. Veilleux brings more than 35 years of experience in defence manufacturing, firearms engineering, and business leadership. He previously served as President and CEO of Colt's Manufacturing Company and Colt Defense, two established American firearms manufacturers supplying military, law enforcement, and commercial markets. Mr. Veilleux joined Colt in 2006 as Executive Director of Engineering before progressing through senior leadership positions, ultimately becoming CEO in 2013. During his tenure, he played a key role in restructuring and transforming Colt's operations, culminating in its acquisition by Colt CZ Group in 2021. Following the acquisition, he served in senior leadership positions at Colt CZ Group, including President of North American operations and a member of its Board of Directors, before stepping down in April 2025. Earlier in his career, Mr. Veilleux held positions at GE Armament, Sturm, Ruger & Co., and FN Group, developing extensive expertise in firearms engineering, advanced manufacturing, and military procurement. As Director and Strategic Advisor, Mr. Veilleux provides FeralX with expertise in scaling defence manufacturing operations, product development, and establishing commercial relationships with military and law enforcement customers.

Trevor Devine – Head of Aviation and Aerospace
Dr. Devine is a retired U.S. Marine Corps Colonel and former Drug Enforcement Administration (DEA) Special Agent with over 30 years of experience in military aviation, law enforcement, intelligence, and national security. He has accumulated over 7,000 flight hours across different aircraft and previously served as a Special Missions Pilot and Mission Commander with L3Harris, conducting intelligence, surveillance, and reconnaissance missions in Afghanistan. During his career, he held senior military leadership positions and supported international defence sales, including Norway's US$8.3B F-35 procurement program. He also brings experience in the commercialization of drone technologies, remote weapon systems, and AI-enabled solutions, as well as developing international distribution channels. Dr. Devine holds a PhD in Public Safety Leadership. His extensive military, aviation, and commercial experience provides FeralX with expertise in defence procurement, strategic partnerships, and international business development.

Blair Jordan – Director & Strategic Advisor
Mr. Jordan brings over 20 years of experience in capital markets, corporate finance, securities law, and public-company leadership. A former Canadian Armed Forces soldier and securities lawyer, he began his capital markets career at Credit Suisse, where he held positions in New York, London, and Tokyo. Throughout his career, Mr. Jordan has founded and supported several investment and advisory firms, advising and raising capital for companies listed on the TSX, TSXV, and Nasdaq across the defence, technology, mining, and industrial sectors. He also serves as CEO of 42 Moly Mines and holds board positions at Goldgroup Mining and Standard Uranium. Mr. Jordan holds an MBA from the University of Chicago Booth School of Business and an LL.B. from the University of British Columbia. His experience provides FeralX with expertise in capital raising, M&A, corporate governance, and public-market strategy.

Eelke Sijbrandij – CTO
Mr. Sijbrandij is an electrical engineer with over 15 years of experience in autonomous systems, robotics, and defence technology development. Throughout his career, he has designed and integrated unmanned ground vehicles, autonomous marine systems, and mission-critical technologies for government and commercial customers. His technical expertise includes embedded electronics, software architecture, autonomous navigation, sensor fusion, and systems integration. As CTO, Mr. Sijbrandij leads FeralX's engineering operations, overseeing the development of autonomous ground systems, AI-enabled platforms, advanced robotics, and next-generation weapon systems. His experience provides the Company with expertise in the design, integration, and commercialization of autonomous defence technologies.

Ira Levy – Director
Mr. Levy is a financial executive with over 20 years of experience in corporate finance, capital markets, M&A, and public-company financial management. Throughout his career, he has held senior financial leadership positions at both public and private companies, including serving as CFO of TSXV-listed Reklaim Ltd. and Avivagen Inc. In these roles, he was responsible for financial reporting, regulatory compliance, financing initiatives, and strategic financial planning. His experience managing the financial operations of publicly traded companies provides FeralX with expertise in capital raising, corporate governance, financial reporting, and public-market compliance as the Company pursues its growth strategy.

Risks

Customer Concentration – High

A large share of revenue comes from one foreign government buyer, therefore a delay, cancellation, or change in that government's budget or politics could harm FRLX. Selling to foreign nations also requires Canadian export permits, and approval can be slowed or withdrawn if the security situation or foreign policy changes. FRLX plans to diversify revenue mix over the coming years.

Long Sales Cycle – Average

Government and military buyers move through procurement, testing, certification and budget approval, and that often takes years. If new contracts take longer to materialize, FRLX may have to raise more money and dilute existing shareholders.

Tough Competition – Above Average

In munitions, small-arms and drones, FeralX competes with large, established producers such as General Dynamics and Colt Canada. They have long track records, existing government relationships and scale, which is hard for a new entrant to match. Buyers tend to favour proven suppliers, so FeralX may have to compete on price or niche products.

Illiquid Stock – Average

FRLX is a newly listed micro-cap that only trades ~100K shares per day on average (~$50K). Low volume means wide bid-ask spreads and sharp price moves on modest orders, and it can be hard to build or exit a meaningful position without moving the stock.

Appendix

FD ITM Shares Calculation	
Basic Shares Outstanding	50.0
Dilutive ITM Shares	0.0
Proceeds	$0.0
Repurchased Shares	0.0
Adj. Dilutive ITM Shares	0.0
FD ITM Shares	**50.0**
Full Diluted	53.9

Figure 26: FD ITM Shares Calculation (Treasury Stock Method)

	Exercise Price	Outstanding (M)
Basic Shares Outstanding		**50.0**
Total Options		**0.0**
2028-07-15	$1.00	1.7
2028-09-29	$1.00	2.0
Sep-29-2028	$1.00	0.3
Total Warrants		**3.9**

Figure 27: Cap Table

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