

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.
FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2021

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

AMMO, Inc.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State of incorporation)

001-13101
(Commission File No.)

83-1950534
(I.R.S. Identification Number)

7681 E Gray Road, Scottsdale, AZ 85260
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code: **(480) 947-0001**

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value	POWW	The Nasdaq Stock Market LLC (Nasdaq Capital Market)
8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.001 par value	POWWP	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the Common Stock of the registrant by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter (September 30, 2020) was \$99,735,675.

As of June 25, 2021, there were 111,810,233 shares of \$0.001 par value Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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ADDITIONAL INFORMATION

Descriptions of agreements or other documents contained in this report are intended as summaries and are not necessarily complete. Please refer to the agreements or other documents filed or incorporated herein by reference as exhibits. Please see the exhibit index at the end of this report for a complete list of those exhibits.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain “forward-looking statements”. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies, goals and objectives of management for future operations; any statements concerning proposed new products and services or developments thereof; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward looking statements may include the words “may,” “could,” “estimate,” “intend,” “continue,” “believe,” “expect” or “anticipate” or other similar words, or the negative thereof. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures and risk factors we include in Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports filed on Form 8-K.

In our Form 10-K, Form 10-Q and Form 8-K filings with the Securities and Exchange Commission, references to: (a) “Common Stock” refers to our Common Stock, \$0.001 par value per share; and (b) “AMMO, Inc.,” “AMMO,” “the Company,” “we,” “us,” “our” and similar terms refer to AMMO, Inc. and its wholly owned operating subsidiaries Enlight Group II, LLC d/b/a Jagemann Munition Components (“Jagemann Munition Components” or “JMC”), AMMO Munitions, Inc., Firelight Group I LLC, Speedlight Group I, LLC, SNI, LLC, GB Investments, Inc., IA Tech, LLC, Outdoors Online, LLC, Enthusiast Commerce, LLC, five (5) other subsidiaries listed on Exhibit 21.1 filed with this Annual Report on Form 10-K, and AMMO Technologies, Inc. (with AMMO Technologies, Inc. currently being inactive).

PART I

ITEM 1. BUSINESS.

Introduction

We are a designer, producer, and marketer of performance-driven, high-quality ammunition and ammunition component products for sale to a variety of consumers, including sport and recreational shooters, hunters, individuals seeking home or personal protection, manufacturers and law enforcement and military agencies. We also own an online auction site supporting the lawful sale of firearms, ammunition and hunting/shooting accessories. To enhance the strength of our brands and drive product demand, we emphasize product innovation and technology to improve the performance, quality, and affordability of our products while providing support to our distribution channel and consumers. We seek to sell products at competitive prices that compete with high-end, custom, hand-loaded ammunition at competitive prices. Additionally, through our ammunition casing manufacturing and sales operations (“Jagemann Mmunition Components” or “JMC”) we sell ammunition casings products of various types. We emphasize an American heritage by using predominantly American-made components and raw materials in our products that are produced, inspected, and packaged at our facilities in Payson, Arizona and Manitowoc, Wisconsin.

Our production processes focus on safety, consistency, precision, and cleanliness. Each round is developed for a specific purpose with a focus on a proper mix of consistency, velocity, accuracy, and recoil. Each round is chamber gauged and inspected with redundant seven-step quality control processes.

GunBroker.com is our online auction site. In its role as the auction site, GunBroker.com serves as the listing service and provides for the exchange of information in a secure manner supporting the third-party listing, sale and lawful purchase of firearms, ammunition and accessories connecting over 6.6 million registered users.

Our Growth Strategy

Our goal is to enhance our position as a designer, producer, and marketer of ammunition products via our manufacturing and related sales operations, while simultaneously enhancing the GunBroker.com brand and leverage the information technologies platform to develop additional complimentary sales channels. Key elements of our strategy to achieve this goal are as follows:

Design, Produce, and Market Innovative, Distinctive, Performance-Driven, High-Quality Ammunition and Ammunition Components

We are focused on designing, producing, and marketing innovative, distinctive, performance-driven, high-quality products that appeal to retailers, manufacturers, and consumers that will enhance our users’ shooting experiences. Our ongoing research and development activities; our safe, consistent, precision, and clean production processes; and our multi-faceted marketing programs are critical to our success.

Continue to Strengthen Relationships with Channel Partners and Retailers.

We continue to strive to strengthen our relationships with our current distributors, dealers, manufactures, and mass market and specialty retailers and to attract additional distributors, dealers, retailers, and manufacturers. The success of our efforts depends on the innovation, distinctive features, quality, and performance of our products; the attractiveness of our packaging; the effectiveness of our marketing and merchandising programs; and the effectiveness of our customer support.

Emphasis on Customer Satisfaction and Loyalty

We plan to continue to emphasize customer satisfaction and loyalty by offering innovative, distinctive, high-quality products on a timely and cost- attractive basis and by offering effective customer service, training, and support. We regard the features, quality, and performance of our products as the most important components of our customer satisfaction and loyalty efforts, but we also rely on customer service and support.

Continuously Improving Operations

We plan to continue focusing on improving all aspects of our business, including research and development, component sourcing, production processes, marketing programs, and customer support. We are continuing our efforts to enhance our production by increasing daily production quantities through equipment acquisitions, expanded shifts and process improvements, increased operational availability of our equipment, reduced equipment down times, and increased overall efficiency.

Enhance Market Share, Brand Recognition, and Customer Loyalty

We strive to enhance our market share, brand recognition, and customer loyalty. Industry sources estimate that 70 to 80 million people in the United States own more than approximately 393 million firearms creating a large installed base for our ammunition products. We are focusing on the premium segment of the market through the quality, distinctiveness, and performance of our products; the effectiveness of our marketing and merchandising efforts; and the attractiveness of our competitive pricing strategies.

Pursue Synergetic Strategic Acquisitions and Relationships

We intend to pursue strategic acquisitions and develop strategic relationships designed to enable us to expand our technology and knowhow, expand our product offerings, strengthen and expand our supply chain, enhance our production process, expand our marketing and distribution, and attract new customers.

Products

We design, produce, and sell ammunition and ammunition components in a variety of types, sizes, and calibers for use in handguns and long guns. We ship our ammunition in the form of cartridges (or rounds), and also ammunition casings. A cartridge consists of four components: a case made of brass, steel, or copper that holds together all the other components of the cartridge; the primer, which is an explosive chemical compound that ignites the gunpowder when struck by the firing pin; the gun powder, which is a chemical mixture that burns rapidly and creates an expanding gas when ignited and pushes the bullet out the barrel; and the bullet, or projectile, usually containing lead that is fired through the barrel to strike the target. Some of the bullets we produce for certain applications have a jacket, or outer shell, of brass or copper to improve performance and accuracy. We typically produce centerfire cartridges in which the primer is in the bottom, or center of the cartridge, rather than rimfire cartridges in which the primer is in the rim of the cartridge. We also offer ammunition casings for pistol ammunition through large rifle ammunition.

STREAK Visual Ammunition

STREAK VISUAL AMMUNITION™ enables shooters to see the path of the bullets fired by them. STREAK VISUAL AMMUNITION™ rounds utilize non-flammable phosphor material that produces a glow by the utilization of the light emitted during the round discharge to make STREAK VISUAL AMMUNITION™ glow. The luminescent material is applied only to the aft end of the projectile, making it visible only to the shooter and those within a 30-degree viewing window. As a result, the glow of STREAK VISUAL AMMUNITION™ is not visible to the target unlike conventional tracers, which we believe is important to the military and law enforcement. We refer to the technology used by our STREAK VISUAL AMMUNITION™ as one-way luminescent or O.W.L. Technology™. Unlike conventional tracer ammunition, STREAK VISUAL AMMUNITION™ rounds are not incendiary and do not utilize burning metals to generate light, thereby eliminating heat generation and making them safer for use in various environments and avoiding serious fire hazards. STREAK VISUAL AMMUNITION™ comes in 380 auto, 9 mm, 40 S&W, 44 magnum, 45 long colt, and 38 special among other calibers.

We hold the exclusive worldwide sales and distribution rights for the patented O.W.L. Technology™ used by our STREAK VISUAL AMMUNITION™ and pay a royalty based on our product sales incorporating this technology. On October 13, 2020, the Company further expanded its patent portfolio as a result of the U.S. Patent and Trademark Office (USPTO)'s issuance of Patent No. 10,801,821 recognizing the Company's development of both a protectable and cutting-edge process to mass-produce luminescent projectiles, as well as the luminescent projectiles manufactured as a result of the protected process.

OPS – One Precise Shot

OPS ammunition is designed to meet a wide variety of demanding engagement scenarios experienced by law enforcement personnel in the line of duty. The hollow point lead-free fragile bullet with hard outer casing and frangible copper core transfers 100% of its energy into the target. These bullets penetrate a variety of barriers, such as drywall, plywood, car doors, and auto glass. Upon entering soft tissue, the jacket and core separate with extensive force of impact, resulting in mass force trauma. The light weight projectile reduces recoil and enhances accuracy. OPS ammunition comes in 9 mm, 40 S&W, 45 auto calibers and a 223 rifle round.

Stelth Subsonic Ammunition

Stelth Subsonic ammunition is designed specifically for superior performance in suppressed firearms. Stelth ammunition finds applications in which silence is paramount, such as in tactical training, predator night hunts, and clandestine operations. The Stelth ammunition is produced to be a clean burning total metal jacket round to slow baffle corrosion and reduce lead emissions that collect in the suppressor body. Stelth pistol ammunition comes in 9mm, 40 S&W, and 45 AC3. It is also available in a 223 rifle round.

Jesse James Ammunition

Jesse James ammunition is jacketed hollow point projectiles designed for self-defense. The load specific development is designed to ensure accuracy, velocity, and consistency and a low recoil. Jesse James ammunition comes in 9mm, 40 S&W, 10mm, 357, 45 auto calibers.

Jeff Rann's American Hunter and Safari Services

Jeff Rann's ammunition is intended for a complete range of game hunting. This high-end hunting ammunition has been designed by Jeff Rann, a well-known professional hunter and sports channel host and the owner of the well-known 777 Ranch in Texas and three ranches in Africa.

AP and HAPI Ammunition

Our innovative line of match grade armor piercing (AP) and hard armor piercing incendiary (HAPI) tactical rounds are the centerpiece of the Company's strategy to address the unique needs of the armed forces community. This ammunition was designed around a match grade portfolio of projectiles, that include a solid copper boat tail and armor piercing configuration. The distinction between these rounds and other sold, is that the manufacturing process was engineered to ensure extremely tight tolerances between each projectile manufactured, ensuring for the end user that the ballistic trajectory remains consistent between rounds without regard to the actual configuration or round fired. Our AP and HAPI line is also available with our O.W.L. Technology™. The Company has aligned its manufacturing operations to support the large caliber demand from military personnel, such as the 12.7 mm and .50 caliber BMG configurations. On February 2, 2021, we announced that we restarted our improved .50 caliber manufacturing line to address increased market demand and fulfill current orders.

Bio Ammo

On March 9, 2021, we announced entering into a commercial distribution agreement with Bio Ammo, S.L., which provides the Company exclusive U.S. distribution rights to sell Bio Ammo's patented biodegradable shotgun shells.

JMC

Through JMC, we offer ammunition casings for pistol ammunition through large rifle ammunition. Jagemann Munitions Components is backed by decades of manufacturing experience that allows the production of high-quality pistol brass and rifle brass components. Borne from the automotive industry and refined over time to deliver durable and consistent sporting components, Jagemann Munitions Components has become one of the largest brass manufacturers in the country, with the capacity to produce more than 750 million pieces of brass each year with the ability to scale to over 1 billion pieces of brass each year. Proud of its American-made components and capabilities, the Company now has complete control over the manufacturing process. This results in a number of advantages when it comes to the brass that leaves our state-of-the-art facility.

GunBroker.com

On April 30, 2021 (the "Effective Date"), we entered into an agreement and plan of merger (the "Merger Agreement"), by and among us, SpeedLight Group I, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company ("Sub"), Gemini Direct Investments, LLC, a Nevada limited liability company ("Gemini"), and Steven F. Urvan, an individual (the "Seller"), whereby Sub merged with and into Gemini, with Sub surviving the merger as our wholly owned subsidiary (the "Merger"). At the time of the Merger, Gemini had nine subsidiaries, all of which are related to Gemini's ownership of the gunbroker.com business. The Merger was completed on the Effective Date.

GunBroker.com is a large online marketplace dedicated to firearms, hunting, shooting and related products. Aside from merchandise bearing its logo, GunBroker.com currently sells none of the items listed on its website. Third-party sellers list items on the site and federal and state laws govern the sale of firearms and other restricted items. Ownership policies and regulations are followed using licensed firearms dealers as transfer agents. Gunbroker.com has over 6.6 million registered users and averages over 1 million items listed for sale on its site on a daily basis.

Marketing

We market our products to consumers through distributors, dealers, mass market and specialty retailers, and direct to consumer through e-commerce. We maintain consumer-focused product marketing and promotional campaigns, which include print and digital advertising campaigns; social and electronic media; product demonstrations; point-of-sales materials; in-store training, and in-store retail merchandising. Our use of social media includes Instagram, Facebook, Twitter, and You Tube. We also utilize third-party endorsements, social influencers, and brand ambassadors, such as Jesse James, and Jeff Rann.

Manufacturing

Our manufacturing operations are currently based out of Manitowoc and Two Rivers, Wisconsin. We conduct ammunition and ammunition casing manufacturing, research and development, and inspection operations at these leased properties. On an annual basis, we can produce 650 million rounds of ammunition with the ability to scale to 1 billion rounds and 750 million ammunition

casings with the ability to scale in excess of 1 billion on an annual basis. Our inspection process is intended to enhance the performance and reliability of our products.

Research and Development

We conduct research and development activities to enhance existing products and develop new products at our facilities in Manitowoc, Wisconsin, utilizing our personnel and strategic relationships. We expense all costs associated with our research and development efforts through either our cost of goods sold, as they are performed by the same employees who produce our finished product, or through general and administrative expenses if the product has not been brought to market.

Suppliers

We purchase certain of the raw materials and components for our ammunition products, including brass, steel, or copper casings; ammunition primers to ignite gun powder; gun powder; and projectiles. We believe we have reliable sources of supply for all our raw material and component needs, but from time to time raw materials and components are subject to shortages and price increases. Most of our suppliers are U.S.-based and provide us the materials and components at competitive rates. Our ownership of JMC supplies our ammunition casings. We plan to broaden our supplier base and secure multiple sources for all the raw materials and components we require.

Customers

We sell our products through “Big Box” retailers, manufacturers, local ammunition stores, and shooting range operators. We also sell direct to customers online. Our consumers include sport and recreational shooters, hunters, competitive shooters, individuals desiring home and personal protection, manufacturers, and law enforcement and military agencies, and selected international markets. We distribute our products under five primary product lines: Jesse James, Jeff Rann, OPS, Stelth, STREAK VISUAL AMMUNITION™, and JMC. One customer accounted for approximately 16.5% of our sales for the year ended March 31, 2021 in comparison to year ended March 31, 2020 in which two customers accounted for approximately 32% of our sales.

Competition

The ammunition and ammunition casing industry is dominated by a small number of companies, a number of which are divisions of large public companies. We compete primarily on the quality, reliability, features, performance, brand awareness, and price of our products. Our primary competitors include Federal Premium Ammunition, Remington Arms, the Winchester Ammunition division of Olin Corporation, and various smaller manufacturers and suppliers, including Black-Hills Ammunition, CBC Group, Focchi Ammunition, Hornady Manufacturing Company, PMC, Rio Ammunition, and Wolf.

Employees

As of June 25, 2021, we had a total of 270 employees. Of these employees, 202 were engaged in manufacturing, 25 in sales and marketing, 11 in finance and accounting, 5 in research and development and 27 in various executive and administrative functions. None of our employees are represented by a union in collective bargaining with us. We believe that our employee relations are good.

Seasonality

Our business has not exhibited a material degree of seasonality to date. Our net sales could be moderately higher in our third and fourth fiscal quarters because of the fall hunting and holiday seasons.

Intellectual Property

We believe our tradenames, trademarks, and service marks are important factors in distinguishing our products. In addition, we regard our trade secrets, technological resources, knowhow, licensing arrangements, and endorsements as important competitive factors.

Under the terms of the 2017 merger between our wholly-owned subsidiary, AMMO Technologies Inc., an Arizona corporation (“ATI”) and Hallam, Inc. (“Hallam”), ATI succeeded to all of the assets of Hallam and assumed the liabilities of Hallam, which were none. The primary asset of Hallam was an exclusive license to produce projectiles and ammunition using the Hybrid Luminescence Ammunition Technology under patent U.S. 8,402,896 B1 with a publication date of March 26, 2013 owned by University of Louisiana at Lafayette (“ULL”). The license was formally amended and assigned to ATI pursuant to an Assignment and First Amendment to Exclusive License Agreement Assumption Agreement. Under the terms of the merger with Hallam, we, the sole shareholder of ATI, issued to Hallam’s two shareholders, 600,000 shares of our Common Stock, subject to restrictions, and payment of \$200,000. The first payment of \$100,000 to the Hallam’s shareholders was paid on September 13, 2017, and the second payment of \$100,000 was paid on February 6, 2018.

We hold the exclusive worldwide sales and distribution rights for the patented O.W.L. Technology™ used by our STREAK VISUAL AMMUNITION™ via our license agreement with ULL. We pay ULL a royalty based on our product sales incorporating this patented technology. We have been using our O.W.L. Technology™ to compete for military contracts in part because we believe the glow of STREAK VISUAL AMMUNITION™ not being visible to the target (which is unlike conventional tracers) is important to the military and law enforcement.

Such military use is allowed pursuant to that certain Amended and Restated Exclusive License Agreement between ATI and ULL which was dated as of November 16, 2017 and effective as of January 1, 2018 (the “A&R License Agreement”). The A&R License Agreement expires on January 1, 2022 and is renewable in the Company’s sole discretion for successive four (4) year periods provided the Company is not in breach of the A&R License Agreement.

We are a party to a license agreement with Jesse James, a well-known motorcycle designer, and Jesse James Firearms, LLC, a Texas limited liability company. The licensing agreement grants us the exclusive worldwide rights through October 15, 2021 to Mr. James’ image rights and all trademarks associated with him in connection with the marketing, promotion, advertising, sale, and commercial exploitation of Jesse James Branded Products. In addition, Mr. James agreed to make himself available for certain promotional activities and to promote Jesse James Branded Products through his own social media outlets. We agreed to pay Mr. James royalty fees on the sale of ammunition and non-ammunition Branded Products and to reimburse him for any out-of-pocket expenses and reasonable travel expenses. We also issued 100,000 shares of Common Stock upon the execution of the license agreement with the potential issuance of up to 75,000 additional shares of Common stock upon achieving certain gross sales with \$15 million in gross sales required to earn the entire 75,000 shares.

We are a party to a license agreement with Jeff Rann, a well-known wild game hunter and spokesman for the firearm and ammunition industries. The license agreement grants us through February 2022 the exclusive worldwide rights to Mr. Rann’s image rights and trademarks associated with him in connection with the marketing, promotion, advertising, sale, and commercial exploitation of all Jeff Rann Branded Products. Mr. Rann agreed to make himself available for certain promotional activities and to promote the Branded Products through his own social media outlets. We agreed to pay Mr. Rann royalty fees on the sale of ammunition and non-ammunition Branded Products and to reimburse him for any out-of-pocket expenses and reasonable travel expenses. We also issued 100,000 shares of Common Stock upon the execution of the license agreement with the potential issuance of 75,000 additional shares of Common Stock upon achieving certain gross sales with \$15 million in gross sales required to earn the entire 75,000 shares.

Through our acquisition of SW Kenectics, Inc. (“SWK”), we acquired the rights to a patent for modular projectiles. This technology is used in connection with our AP and HAPI lines of ammunition. The Company acquired SWK for a total of up to \$1,500,000 in cash and issued 1,700,002 restricted shares of the Common Stock. The agreement specifies that \$1,250,000 of the cash is deferred pending completion of specific milestones and the 1,700,002 shares of Common Stock are subject to claw back provisions to ensure agreed upon objective are met. As of March 31, 2021, the Company has made \$350,000. As of March 31, 2021, 1,550,134 shares remain subject to clawback provisions. The patent will be amortized over 15 years.

Included in the acquisition of JMC for \$7,000,000 in cash, \$10,400,000 delivered in the form of a Promissory Note, and 4,750,000 shares of Common Stock, we acquired customer relationships, intellectual property, and the use of a tradename, which will be amortized over 3 years, 3 years and 5 years, respectively. These intangible assets are used in the operation and production of our ammunition casing business through our wholly owned subsidiary, Jagemann Munition Components.

Backlog

At March 31, 2021, we had approximately \$187 million in backlog. The Company expects to fill these orders within the next fiscal year ending March 31, 2022. As of March 31, 2020, we had approximately \$12.7 million in backlog. Backlog consists of orders for which purchase orders have been received and which are generally scheduled for shipment within three months. We generally allow orders that have not yet been shipped to be cancelled. Our backlog may not be indicative of future sale.

Environmental Matters

Our operations are subject to a variety of federal, state, and local laws and regulations relating to environmental protection, including those governing the discharge, treatment, storage, transportation, remediation, and disposal of hazardous materials and wastes; the restoration of damages to the environment; and health and safety matters. We believe that our operations are in material compliance with these laws and regulations. We incur expenses in complying with environmental requirements and could incur higher costs in the future as a result of more stringent requirements that may be enacted in the future.

Some environmental laws, such as the U.S. federal Superfund law and similar state laws, can impose liability, without regard to fault, for the entire cost of the cleanup of contaminated sites on current or former site owners and operators or parties who sent wastes to such sites. Based on currently available information, we do not believe that environmental matters will have a material adverse effect on our business, operating results, or financial condition.

Regulatory Matters

The manufacture, sale, and purchase of ammunition are subject to extensive federal, state, local, and foreign governmental laws. We are also subject to the rules and regulations of the US Bureau of Alcohol, Tobacco, Firearms and Explosives (“ATF”) and various state and international agencies that control the manufacture, export, import, distribution and sale of firearms, explosives, and ammunition. Such regulations may adversely affect demand for our products by imposing limitations that increase the costs or limit the availability of our products.

Our failure to comply with applicable rules and regulations may result in the limitation of our growth or business activities and could result in the revocation of licenses necessary for our business. Applicable laws and regulations provide for the following:

- require the licensing of all persons manufacturing, exporting, importing, or selling ammunition as a business;
- require serialization, labeling, and tracking of the acquisition and disposition of certain types of ammunition;
- regulate the interstate sale of certain ammunition;
- restrict or prohibit the ownership, use, or sale of specified categories of ammunition;
- require registries of so-called “ballistic images” of ammunition fired from new guns;
- govern the sale, export, and distribution of ammunition;
- regulate the use and storage of gun powder or other energetic materials;
- regulate the employment of personnel with certain criminal convictions;
- restrict access to ammunition manufacturing facilities for certain individuals from other countries or with criminal convictions; and
- require compliance with International Traffic in Arms Regulations.

The handling of our technical data and the international sale of our products may also be regulated by the U.S. Department of State and Department of Commerce. These agencies can impose civil and criminal penalties, including denying us from exporting our products, for failure to comply with applicable laws and regulations.

In addition, bills have been introduced in Congress to establish, and to consider the feasibility of establishing a nationwide database recording so-called “ballistic images” of ammunition fired from new guns. Should such a mandatory database be established, the cost to us, our distributors, and our customers could be significant, depending on the type of firearms and ballistic information included in the database. Bills have been introduced in Congress in the past several years that would affect the manufacture and sale of ammunition, including bills to regulate the manufacture, importation, and sale.

We believe that existing federal, state, and local legislation relating to the regulation of firearms and ammunition have not had a material adverse effect on our sales of these products. However, the regulation of firearms and ammunition may become more restrictive in the future, and any such developments might have a material adverse effect on our business, operating results, financial condition, and cash flows. In addition, regulatory proposals, even if never enacted, may affect firearms or ammunition sales as a result of consumer perceptions.

Transactions taking place on the GunBroker.com site involving the lawful sale of firearms are facilitated from a listing and documentation standpoint by GunBroker.com. The transaction is consummated between a third-party buyer and seller and requires the direct involvement of an ATF Federal Firearms License (“FFL”) holder such as a gun shop or range that accepts receipt of the firearms and completes the transaction and delivery subject to confirmation of compliance with applicable federal and/or state laws.

Recent Developments

On March 16, 2021, we announced the closing of an underwritten public offering of 23 million newly-issued shares of Common Stock at a price to the public of \$5.00 per share. The closing included the full exercise of the underwriters’ over-allotment option to purchase 3 million shares of Common Stock at the public offering price, for gross proceeds to the Company of \$115 million, prior to deducting offering expenses, commissions and underwriting discounts.

On May 21, 2021, we closed an underwritten public offering of 1,097,200 newly issued shares of our 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock (the “Series A Preferred Stock”) at a price to the public of \$25.00 per share. The offering resulted in gross proceeds to the Company of \$27,430,000, prior to deducting offering expenses, commissions and underwriting discounts. On May 25, 2021, the underwriter exercised its previously announced over-allotment option to purchase 164,580 shares of Series A Preferred Stock pursuant to that certain Underwriting Agreement dated May 19, 2021, by and between us and Alexander Capital, L.P., as representative of the several underwriters identified therein. We closed the exercise of the over-allotment option on May 27, 2021. The gross proceeds from the exercise of the over-allotment option were \$4,114,500, before deducting underwriting discounts and commissions.

On May 25, 2021, we entered into an underwriting agreement with Alexander Capital, L.P. relating to a firm commitment public offering of 138,220 newly issued shares of our Series A Preferred Stock at a public offering price of \$25.00 per share. The closing of the offering took place on May 27, 2021. The gross proceeds to us from the sale of 138,220 shares of Series A Preferred Stock, before deducting underwriting discounts and commissions and estimated offering expenses payable by us, were \$3,455,500. The total net proceeds from the two Series A Preferred Stock offerings in May 2021 was \$32,940,000.

Available Information

You can find reports on our company including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports on our website www.ammoinc.com under the “Investor Relations” heading. These reports are free of charge and are available as soon as reasonably practicable after they have been filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC). We are providing the address to our website solely for the information of investors and the information on our website is not a part of this or any report that we file with the SEC.

Our History

We were formed under the name Retrospectiva, Inc. in November 1990 to manufacture and import textile products, including both finished garments and fabrics, but ceased operations in 2001. We were inactive from 2001 until December 2016. On December 15, 2016, our then principal stockholders sold their outstanding Common Stock to Fred W. Wagenhals, who is currently Chairman of the Board and Chief Executive Officer. On the same date, Mr. Wagenhals became the sole officer and director of our company. As of December 30, 2016, we changed our trading symbol to POWW; we merged into a Delaware corporation, thereby changing our state of incorporation from California to Delaware; we engaged in a 1-for-25 reverse stock split; and we commenced our current business as AMMO, Inc.

Our Chairman and Chief Executive Office, Fred Wagenhals, had organized another company on October 13, 2016, which immediately began to take steps to commence the ammunition business. We combined with that company in March 2017, resulting in our acquisition of all the shares of its common stock for 17,285,800 shares of Common Stock and our succession to its business.

We entered into licensing an endorsement agreement with Jesse James, a well-known motorcycle and gun designer, in October 2016, and a license and endorsement agreement with Jeff Rann, a well-known wild game hunter, guide, and spokesman for the firearm and ammunition industry, in February 2017; received a federal firearms license from the Bureau of Alcohol, Tobacco, and Explosives in February 2017; purchased an ammunition manufacturing facility in Payson, Arizona in March 2017; and built a management team and otherwise prepared ourselves to participate in the ammunition industry.

In September 2017, ATI acquired Hallam and in October 2018, we acquired SWK.

On March 15, 2019, Enlight Group II, LLC (“Enlight”), our wholly owned subsidiary completed its acquisition of JMC, pursuant to the terms of the Amended and Restated Asset Purchase Agreement dated March 14, 2019. In accordance with the terms of the Amended APA, Enlight Group II, LLC paid Jagemann Stamping Company (“JSC”) a combination of \$7,000,000 in cash, \$10,400,000 delivered in the form of a Promissory Note, and 4,750,000 shares of Common Stock.

On June 26, 2020, the Company, Enlight, and JSC entered into a Settlement Agreement pursuant to which the parties mutually agreed to settle all disputes and mutually release each other from liabilities related to the Amended APA occurring prior to June 26, 2020 (the “Settlement Agreement”). Pursuant to the Settlement Agreement, the Company shall pay JSC \$1,269,977 and shall provide JSC with: (i) two new promissory notes, a note of \$5,803,800 related to the Seller Note and note of \$2,635,797 for inventory and services, which was reclassified from accounts payable, both with a maturity date of August 15, 2021, (ii) general business security agreements granting JSC a security interest in all personal property of the Company. Pursuant to the Notes, the Company is obligated to make monthly payments totaling \$204,295 to JSC. In addition, the Notes have a mandatory prepayment provision that comes into effect if the Company conducts a publicly registered offering. Pursuant to such provision, the Company: (a) upon the closing of an Offering of less than \$10,000,000 would be obligated to pay the lesser of ninety percent (90%) of the Offering proceeds or seventy (70%) of the then aggregate outstanding balance of the Notes; and (b) upon the closing of an Offering of more than \$10,000,000 would be obligated to pay one hundred percent (100%) of the then aggregate outstanding balance of the Notes. The Company was granted an option to repurchase up to 1,000,000 of the shares of Common Stock issued to JSC under the Amended APA at a price of \$1.50 per share through April 1, 2021 so long as there are no defaults under the Settlement Agreement.

As a result of the Settlement Agreement, the Company agreed to not receive \$1,000,000 in Construction in Progress that the parties had previously agreed to exchange.

On November 5, 2020, the Company paid \$6,000,000 to JSC allocated as follows: (i) payment in full of Note A, representing the balance due from the Company to JSC relating to the acquisition of Jagemann Munition Components in March 2019 and (ii) \$592,982 remitted in partial payment of Note B, resulting in the parties' execution of Amended Note B which has a starting principal balance of \$1,687,664 ("Amended Note B"). The Amended Note B principal balance carries a 9% per annum interest rate and is amortized equally over the thirty six (36) month term. As a result of the payment in full of Note A JSC shall release the accompanying security interest in Company assets which secured Note A. Concurrently, upon entry into Amended Note B, JSC and the Company entered into the First Amendment to General Business Security Agreement to reflect a revised list of collateral in which JSC has a security interest.

On January 22, 2021, Company repurchased 1,000,000 shares of its Common Stock issued to JSC at a price of \$1.50 per share pursuant to the Amended APA and subsequently cancelled the total purchased shares.

The Company's balance of Amended Note B was \$1,490,918 at March 31, 2021.

On November 30, 2020, we entered into an underwriting agreement (the "Underwriting Agreement") with Alexander Capital, L.P., as representative of the underwriters listed therein (the "Underwriters"), pursuant to which the Company agreed to sell to the Underwriters in a firm commitment underwritten public offering an aggregate of 8,564,285 shares of Common Stock, at a public offering price of \$2.10 per share. In addition, the Underwriters were granted an over-allotment option (the "Over-allotment Option") for a period of 45 days to purchase up to an additional 1,284,643 shares of Common Stock. The Offering closed on December 3, 2020.

The Common Stock began trading on the Nasdaq Capital Market under the symbol POWW on December 1, 2020.

The Underwriters exercised the Over-allotment Option in full on December 11, 2020. Total gross proceeds from the Offering were \$20,682,749 and the total net proceeds less expenses were \$17,434,246.

ITEM 1A. RISK FACTORS

Purchasing our Common Stock or Series A Preferred Stock involves a high degree of risk. You should carefully consider the following risk factors, together with all of the information included in this Form 10-K Report, before you decide to purchase shares of our Common Stock or Series A Preferred Stock. We believe the risks and uncertainties described below are the most significant we face. Additional risks and uncertainties of which we are unaware, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, operating results, and financial condition could be materially and adversely affected. In that case, the trading price of our Common Stock or Series A Preferred Stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

We have a limited operating history on which you can evaluate our company.

With the exception of GunBroker.com's approximate 20 year history operating as a private company preceding the merger, we have a limited operating history on which you can evaluate our company. Although the corporate entity has existed since 1990, we have only operated as an ammunition manufacturer since March 2017. As a result, our business will be subject to many of the problems, expenses, delays, and risks inherent in the establishment of a new business enterprise.

Our performance is influenced by a variety of economic, social, and political factors.

Our performance is influenced by a variety of economic, social, and political factors. General economic conditions and consumer spending patterns can negatively impact our operating results. Economic uncertainty, unfavorable employment levels, declines in consumer confidence, increases in consumer debt levels, increased commodity prices, and other economic factors may affect consumer spending on discretionary items and adversely affect the demand for our products. In times of economic uncertainty, consumers tend to defer expenditures for discretionary items, which affects demand for our products. Any substantial deterioration in general economic conditions that diminish consumer confidence or discretionary income could reduce our sales and adversely affect our operating results. Economic conditions also affect governmental political and budgetary policies. As a result, economic conditions also can have an adverse effect on the sale of our products to law enforcement, government, and military customers.

Political and other factors also can adversely affect our performance. Concerns about presidential, congressional, and state elections and legislature and policy shifts resulting from those elections can adversely affect the demand for our products. In addition, uncertainty surrounding the control of firearms, firearm products, and ammunition at the federal, state, and local level and heightened

fears of terrorism and crime can adversely affect consumer demand for our products. Often, such concerns result in an increase in near-term consumer demand and subsequent softening of demand when such concerns subside. Inventory levels in excess of customer demand may negatively impact operating results and cash flow.

Federal and state legislatures frequently consider legislation relating to the regulation of firearms, including amendment or repeal of existing legislation. Existing laws may also be affected by future judicial rulings and interpretations. If restrictive changes to legislation develop, we could find it difficult, expensive, or even impossible to comply with them, impeding new product development and distribution of existing products.

War, terrorism, other acts of violence or natural or manmade disasters, such as a global pandemic, may affect the markets in which the Company operates, the Company's customers, the Company's delivery of products and customer service, and could have a material adverse impact on our business, results of operations, or financial condition.

The Company's business and supply chain may be adversely affected by instability, disruption or destruction in a geographic region in which it operates, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest, and natural or manmade disasters, including famine, food, fire, earthquake, storm or pandemic events and spread of disease (including the coronavirus commonly referred to as "COVID- 19").

Such events may cause customers to suspend their decisions on using the Company's products and services, make it impossible to access some of our inventory, and give rise to sudden significant changes in regional and global economic conditions and cycles that could interfere with purchases of goods or services and commitments to develop new products and services. These events also pose significant risks to the Company's personnel and to physical facilities, transportation and operations, which could materially adversely affect the Company's financial results.

Any significant disruption to communications and travel, including travel restrictions and other potential protective quarantine measures against a pandemic by governmental agencies, could make it difficult for the Company to deliver goods services to its customers. War, riots, or other disasters may increase the need for our products and demand by our government and military and may make it more difficult to provide our products to other customers. Further, travel restrictions and protective measures against COVID-19 could cause the Company to incur additional unexpected labor costs and expenses or could restrain the Company's ability to retain the highly skilled personnel the Company needs for its operations. The extent to which COVID-19 impacts the Company's business, sales and results of operations will depend on future developments, which are highly uncertain and cannot be predicted.

We believe COVID-19 has not negatively affected our operational results in a material manner, but it may at any time and without notice in the foreseeable future. As a result of COVID-19, at any time we may be subject to increased operating costs, supply interruptions, and difficulties in obtaining raw materials and components. COVID-19 has resulted in restrictions, postponements and cancellations of meetings, conferences, trade shows. The impact, extent and duration of the government imposed restrictions on travel and public gatherings as well as the overall effect of the COVID-19 virus is currently unknown.

We are engaged in legal proceedings that could cause us to incur unforeseen expenses and could occupy a significant amount of our management's time and attention.

On September 24, 2019, the Company received notice that an individual who was former member of the Board of Directors (the "Board") who had been removed as a director by majority vote of the stockholders and who had voluntarily resigned as an employee filed a complaint against the Company, and certain individuals (the "Complaint"), with the U.S. Department of Labor ("DOL"). The Complaint alleges that the individual reported potential violations of SEC rules and regulations by management and that as a result of such reports, the individual experienced a hostile work environment; that the Company lacks sufficient internal controls, and that the individual was the victim of retaliation and constructive discharge after being removed as a director by majority vote of the stockholders. The claims were investigated by a Special Committee of the Board made up of independent directors represented by independent legal counsel. The Special Committee and independent legal counsel found the claims were unsubstantiated and there were no SEC violations in the various allegations in the Complaint. The matter is currently the subject of administrative investigation by the DOL via the Occupational Safety and Health Administration ("OSHA"). The Company filed a timely Position Statement with the DOL in October of 2019 in response to the Complaint. The Company disputes the allegations of wrongdoing and believes the matters raised in the Complaint are without merit.

The claims made to the DOL in the Complaint, and such other litigation or claims that may be made against the Company or its officers or directors, from time to time, could negatively affect our business, operations or financial position. As we grow, we will likely see a rise in the number of litigation matters against us. These matters may include employment and labor claims, product liability, and other claims related to our products, as well as consumer and securities class actions, each of which are typically expensive to defend. Litigation disputes could cause us to incur unforeseen expenses and otherwise occupy a significant amount of our management's time and attention, any of which could negatively affect our business operations and financial position.

We may not be able to utilize our net operating loss carry forwards.

At March 31, 2021, we had Federal net operating loss carry forwards (“NOLs”) for income tax purposes of approximately \$31.6 million which will begin to expire in 2036. The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) signed into law on March 27, 2020 provided that NOLs generated in a taxable year beginning in 2018, 2019, or 2020, may now be carried back five years and forward indefinitely. In addition, the 80% taxable income limitation is temporarily removed, allowing NOLs to fully offset net taxable income. However, we do not know if or when we will have any earnings and capital gains against which we could apply these carry forwards. Furthermore, if there were a sufficient change in the ownership of our Common Stock, our ability to use our federal NOLs could be limited under Internal Revenue Code Section 382. State NOLs are subject to similar limitations in many cases. As a result, our substantial NOLs may not have any value to us.

An inability to expand our E-commerce business could reduce our future growth.

Consumers are increasingly purchasing products online. We operate direct-to-consumer e-commerce stores to maintain an online presence with our end users. The future success of our online operations depends on our ability to use our marketing resources to communicate with existing and potential customers. We face competitive pressure to offer promotional discounts, which could impact our gross margin and increase our marketing expenses. We are limited, however, in our ability to fully respond to competitor price discounting because we cannot market our products at prices that may produce adverse relationships with our customers that operate brick and mortar locations as they may perceive themselves to be at a disadvantage based on lower e-commerce pricing to end consumers. There is no assurance that we will be able to successfully expand our e-commerce business to respond to shifting consumer traffic patterns and direct-to-consumer buying trends.

In addition, e-commerce and direct-to-consumer operations are subject to numerous risks, including implementing and maintaining appropriate technology to support business strategies; reliance on third-party computer hardware/software and service providers; data breaches; violations of state, federal or international laws, including those relating to online privacy; credit card fraud; telecommunication failures; electronic break-ins and similar disruptions; and disruption of Internet service. Our inability to adequately respond to these risks and uncertainties or to successfully maintain and expand our direct-to-consumer business may have an adverse impact on our business and operating results.

The GunBroker.com auction website facilitates the lawful sale of firearms, ammunition and accessories between listing sellers and interested buyers and includes the direct transactional involvement of FFLs regulated by the ATF. A change in applicable federal or state law that prohibited GunBroker.com from providing its facilitative auction platform services would have a direct substantial financial impact on the operations and adverse effect on the continuity of operations.

If we are unable to protect our intellectual property, we may lose a competitive advantage or incur substantial litigation costs to protect our rights.

Our future success depends upon our proprietary technology. Our protective measures, including patent and trade secret protection, may prove inadequate to protect our proprietary rights. The right to stop others from misusing our trademarks, service marks, and patents in commerce depends to some extent on our ability to show evidence of enforcement of our rights against such misuse in commerce. Our efforts to stop improper use, if insufficient, may lead to loss of trademark and service mark rights, brand loyalty, and notoriety among our customers and prospective customers. The scope of any patent that we have or may obtain may not prevent others from developing and selling competing products. The validity and breadth of claims covered in technology patents involve complex legal and factual questions, and the resolution of such claims may be highly uncertain, and expensive. In addition, our patents may be held invalid upon challenge, or others may claim rights in or ownership of our patents.

We may be subject to intellectual property infringement claims, which could cause us to incur litigation costs and divert management attention from our business.

Any intellectual property infringement claims against us, with or without merit, could be costly and time-consuming to defend and divert our management’s attention from our business. If our products were found to infringe a third party’s proprietary rights, we could be required to enter into costly royalty or licensing agreements to be able to sell our products. Royalty and licensing agreements, if required, may not be available on terms acceptable to us or at all.

Breaches of our information systems could adversely affect our reputation, disrupt our operations, and result in increased costs and loss sales.

There have been an increasing number of cyber security incidents affecting companies around the world, which have caused operational failures or compromised sensitive corporate data. Although we do not believe our systems are at a greater risk of cyber security incidents than other similar organizations, such cyber security incidents may result in the loss or compromise of customer, financial, or operational data; disruption of billing, collections, or normal operating activities; disruption of electronic monitoring and control of operational systems; and delays in financial reporting and other management functions. Possible impacts associated with a cyber security incident may include among others, remediation costs related to lost, stolen, or compromised data; repairs to data

processing systems; increased cyber security protection costs; reputational damage; and adverse effects on our compliance with applicable privacy and other laws and regulations.

A failure of our information technology systems, or an interruption in their operation due to internal or external factors including cyber-attacks, could have a material adverse effect on our business, financial condition or results of operations.

Our operations depend on our ability to protect our information systems, computer equipment, and information databases from systems failures. We rely on our information technology systems generally to manage the day-to-day operations of our business, operate elements of our manufacturing facility, manage relationships with our customers, fulfill customer orders, and maintain our financial and accounting records. Failure of our information technology systems could be caused by internal or external events, such as incursions by intruders or hackers, computer viruses, cyber-attacks, failures in hardware or software, or power or telecommunication fluctuations or failures. The failure of our information technology systems to perform as anticipated for any reason or any significant breach of security could disrupt our business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, increased costs, or loss of important information, any of which could have a material adverse effect on our business, operating results, and financial condition. Any technology and information security processes and disaster recovery plans we use to mitigate our risk to these vulnerabilities may not be adequate to ensure that our operations will not be disrupted should such an event occur.

Risks Related to Our Products and Our Dependence on Third Parties

Our success depends upon our ability to introduce new products that match customer preferences.

Our success depends upon our ability to introduce new products that match consumer preferences. Our efforts to introduce new products into the market may not be successful, and any new products that we introduce may not result in customer or market acceptance. We develop new products that we believe will match consumer preferences. The development of a new product is a lengthy and costly process and may not result in a successful product. Failure to develop new products that are attractive to consumers could decrease our sales, operating margins, and market share and could adversely affect our business, operating results, and financial condition.

We depend on the sale of our ammunition products.

We manufacture ammunition and ammunition casings for sale to a wide variety of consumers, including gun enthusiasts, collectors, hunters, sportsmen, competitive shooters, individuals desiring home and personal protection, manufacturers, law enforcement and security agencies and officers in the United States and throughout the world. The sale of ammunition and ammunition components is influenced by the sale and usage of firearms. Sales of firearms are influenced by a variety of economic, social, and political factors, which may result in volatile sales. Ammunition sales represented a substantial amount of our net sales for the fiscal years ended March 31, 2021 and 2020. If ammunition sales decline, our financial results could be adversely impacted and the stock price of our Common Stock could decline.

Our manufacturing facilities are critical to our success.

On January 5, 2021, we announced entering into a term sheet with the City of Manitowoc, Wisconsin to acquire in excess of 35 acres in Manitowoc Industrial Park for the purpose of constructing an estimated \$12 million, 160,000 square foot, expanded loaded ammunition and brass casing manufacturing plant, to be operational by the summer of 2022. On April 8, 2021, we acquired the 35 acres via a wholly-owned subsidiary formed for that purpose, Firelight Group I, LLC and broke ground on the construction on June 21, 2021. The land is located in a Tax Increment Finance District and the acquisition was, in part, funded through Tax Incremental Financing (“TIF”) via a Development Agreement entered into between Firelight Group I, LLC and the City of Manitowoc. The Development Agreement provides for an estimated Total Incentive of \$1.7 million. The Development Agreement included an initial \$750,000 TIF Payment provided to Firelight by the City of Manitowoc via TID 21 in which the Manitowoc Industrial Park and subject parcel is located.

Our manufacturing facilities are critical to our success, as we currently produce all of our products at these facilities. The facilities also house our principal research, development, engineering, and design functions.

Any event that causes a disruption of the operation of these facilities for even a relatively short period of time would adversely affect our ability to produce and ship our products and to provide service to our customers. We make certain changes in our manufacturing operations from time to time to enhance the facilities and associated equipment and systems and to introduce certain efficiencies in manufacturing and other processes to produce our products in a more efficient and cost-effective manner. We anticipate that we will continue to incur significant capital and other expenditures with respect to these facilities and our plans to construct a new \$12 million manufacturing plant, but we may not be successful in continuing to improve efficiencies.

Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our results of operations.

The inability to obtain sufficient quantities of raw materials and components, including casings, primers, gun powder, projectiles, and brass necessary for the production of our products could result in reduced or delayed sales or lost orders. Any delay in or loss of sales or orders could adversely impact our operating results. Many of the materials used in the production of our products are available only from a limited number of suppliers. We do not have long-term supply contracts with any suppliers. As a result, we could be subject to increased costs, supply interruptions, and difficulties in obtaining raw materials and components.

Our reliance on third-party suppliers for various raw materials and components for our products exposes us to volatility in the availability, quality, and price of these raw materials and components. Our orders with certain of our suppliers may represent a very small portion of their total orders. As a result, they may not give priority to our business, leading to potential delays in or cancellation of our orders. A disruption in deliveries from our third-party suppliers, capacity constraints, production disruptions, price increases, or decreased availability of raw materials or commodities could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. Quality issues experienced by third party suppliers can also adversely affect the quality and effectiveness of our products and result in liability and reputational harm.

We rely on third-party suppliers for most of our manufacturing equipment.

We also rely on third-party suppliers for most of the manufacturing equipment necessary to produce our products. The failure of suppliers to supply manufacturing equipment in a timely manner or on commercially reasonable terms could delay our plans to expand our business and otherwise disrupt our production schedules and increase our manufacturing costs. Our orders with certain of our suppliers may represent a very small portion of their total orders. As a result, they may not give priority to our business, leading to potential delays in or cancellation of our orders. If any single-source supplier were to fail to supply our needs on a timely basis or cease providing us with manufacturing equipment or components, we would be required to locate and contract with substitute suppliers. We may have difficulty identifying a substitute supplier in a timely manner and on commercially reasonable terms. If this were to occur, our business would be harmed.

Our revenue depends primarily on sales by various retailers and distributors, some of which account for a significant portion of our sales.

Our loaded ammunition and munition components revenue depends on our sales through various leading national and regional retailers, local specialty firearms stores, and online merchants. The U.S. retail industry serving the outdoor recreation market has become relatively concentrated. Our sales could become increasingly dependent on purchases by several large retail customers. Consolidation in the retail industry could also adversely affect our business. If our sales were to become increasingly dependent on business with several large retailers, we could be adversely affected by the loss or a significant decline in sales to one or more of these customers. In addition, our dependence on a smaller group of retailers could result in their increased bargaining position and pressures on the prices we charge.

The loss of any one or more of our large or “Big Box” retail customers or significant or numerous cancellations, reductions, delays in purchases or changes in business practices by our large or “Big Box” retail customers could have an adverse effect on our business, operating results, and financial condition.

These sales channels involve a number of special risks, including the following:

- we may be unable to secure and maintain favorable relationships with retailers and distributors;
- we may be unable to control the timing of delivery of our products to end-user consumers;
- our retailers and distributors are not subject to minimum sales requirements or any obligation to market our products to their customers;
- our retailers and distributors may terminate their relationships with us at any time;
- our retailers and distributors market and distribute competing products; and
- our retailers may experience closure due to COVID-19 outbreaks or other natural or manmade disasters in a particular region.

We have one customer that accounted for approximately 17% of our revenues for the years ended March 31, 2021 in comparison to two customers that accounted for approximately 32%, of our revenues for the year ended March 31, 2020. Although we intend to expand our customer base, our revenue would likely decline if we lost any major customers or if one of these sizable customers were to significantly reduce its orders for any reason. Because our sales are made by means of standard purchase orders rather than long-term contracts, we cannot assure you that our customers will continue to purchase our products at current levels, or at all.

In addition, periods of sluggish economies and consumer uncertainty regarding future economic prospects in our key markets can have an adverse effect on the financial health of our customers, which may in turn have a material adverse effect on our business, operating results, and financial condition.

We extend credit to our customers for periods of varying duration based on an assessment of the customer's financial condition, generally without requiring collateral, which increases our exposure to the risk of uncollectable receivables. In addition, we face increased risk of order reduction or cancellation when dealing with financially ailing retailers or retailers struggling with economic uncertainty. We may reduce our level of business with customers and distributors experiencing financial difficulties and may not be able to replace that business with other customers, which could have a material adverse effect on our business, operating results, and financial condition.

Our gross margins depend upon our sales mix.

Our gross margin is higher when our sales mix is skewed toward our higher-margin proprietary product lines versus a lower contribution from mid-market ammunition that we also manufacture. If our actual sales mix results in a lower overall percentage from our proprietary lines, our gross margins will be reduced, affecting our results of operations.

We face intense competition that could result in our losing or failing to gain market share and suffering reduced sales.

We operate in intensely competitive markets that are characterized by price erosion and competition from major domestic and international companies. Competition in the markets in which we operate is based on a number of factors, including price, quality, product innovation, performance, reliability, styling, product features, and warranties, and sales and marketing programs. This intense competition could result in pricing pressures, lower sales, reduced margins, and lower market share.

Our competitors include Federal Premium Ammunition, Remington Arms, the Winchester Ammunition Division of Olin Corporation, and various smaller manufacturers and importers, including Black Hills Ammunition, CBC Group, FIOCCHI Ammunition, Hornady, PMC, Rio Ammunition, and Wolf. Most of our competitors have greater market recognition, larger customer bases, long-term government contracts, and substantially greater financial, technical, marketing, distribution, and other resources than we possess and that afford them competitive advantages. As a result, they may be able to devote greater resources to the promotion and sale of products, to invest more funds in intellectual property and product development, to negotiate lower prices for raw materials and components, to deliver competitive products at lower prices, and to introduce new products and respond to consumer requirements more quickly than we can.

Our competitors could introduce products with superior features at lower prices than our products and could also bundle existing or new products with other more established products to compete with us. Certain of our competitors may be willing to reduce prices and accept lower profit margins to compete with us. Our competitors could also gain market share by acquiring or forming strategic alliances with other competitors.

Finally, we may face additional sources of competition in the future because new distribution methods offered by the Internet and electronic commerce have removed many of the barriers to entry historically faced by start-up companies. Retailers also demand that suppliers reduce their prices on products, which could lead to lower margins. Any of the foregoing effects could cause our sales to decline, which would harm our financial position and results of operations.

Our ability to compete successfully depends on a number of factors, both within and outside our control. These factors include the following:

- our success in developing, producing, marketing, and successfully selling new products;
- our ability to address the needs of our consumer customers;
- the pricing, quality, performance, and reliability of our products;
- the quality of our customer service;
- the efficiency of our production; and
- product or technology introductions by our competitors.

Because we believe technological and functional distinctions among competing products in our markets are perceived by many end-user consumers to be relatively modest, effectiveness in marketing and manufacturing are particularly important competitive factors in our business.

Seasonality and weather conditions may cause our operating results to vary from quarter to quarter.

Because many of our products are used for seasonal outdoor sporting activities, our operating results may be significantly impacted by unseasonable weather conditions. Accordingly, our operating results could suffer when weather patterns do not conform to seasonal norms.

Shipments of ammunition for hunting are highest during the months of June through September to meet consumer demand for the fall hunting season and holidays. The seasonality of our sales may change in the future. The hunting for our 2022 fiscal year season may be affected by travel restrictions and other limitations imposed as a result of COVID-19 that are unpredictable. Seasonal variations in our operating results may reduce our cash on hand, increase our inventory levels, and extend our accounts receivable collection periods. This in turn may cause us to increase our debt levels and interest expense to fund our working capital requirements.

We manufacture and sell products that create exposure to potential product liability, warranty liability, or personal injury claims and litigation.

Our products are used in activities and situations that involve risk of personal injury and death. Our products expose us to potential product liability, warranty liability, and personal injury claims and litigation relating to the use or misuse of our products, including allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product or activities associated with the product, negligence, and strict liability. If successful, any such claims could have a material adverse effect on our business, operating results, and financial condition. Defects in our products may result in a loss of sales, recall expenses, delay in market acceptance, and damage to our reputation and increased warranty costs, which could have a material adverse effect on our business, operating results, and financial condition. Although we maintain product liability insurance in amounts that we believe are reasonable, we may not be able to maintain such insurance on acceptable terms, if at all, in the future and product liability claims may exceed the amount of insurance coverage or may not be covered by our insurance policies. In addition, our reputation may be adversely affected by such claims, whether or not successful, including potential negative publicity about our products.

Our business is highly dependent upon our brand recognition and reputation, and the failure to maintain or enhance our brand recognition or reputation would likely have a material adverse effect on our business.

Our brand recognition and reputation are critical aspects of our business. We believe that maintaining and further enhancing our brands, particularly our STREAK VISUAL AMMUNITION™ brands, and our reputation are critical to retaining existing customers and attracting new customers. We also believe that the importance of our brand recognition and reputation will continue to increase as competition in our markets continues to develop.

We anticipate that our advertising, marketing, and promotional efforts will increase in the foreseeable future as we continue to seek to enhance our brands and consumer demand for our products. Historically, we have relied on print and electronic media advertising to increase consumer awareness of our brands to increase purchasing intent and conversation. We anticipate that we will increasingly rely on other forms of media advertising, including social media and e-marketing. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising, promotion, public relations, and marketing programs. These brand promotion activities may not yield increased revenue and the efficacy of these activities will depend on a number of factors, including our ability to do the following:

- determine the appropriate creative message and media mix for advertising, marketing, and promotional expenditures;
- select the right markets, media, and specific media vehicles in which to advertise;
- identify the most effective and efficient level of spending in each market, media, and specific media vehicle; and
- effectively manage marketing costs, including creative and media expenses, to maintain acceptable customer acquisition costs.

In addition, certain of our current or future products may benefit from endorsements and support from particular sportsmen, athletes, or other celebrities, and those products and brands may become personally associated with those individuals. As a result, sales of the endorsed products could be materially and adversely affected if any of those individuals' images, reputations, or popularity were to be negatively impacted.

Increases in the pricing of one or more of our marketing and advertising channels could increase our marketing and advertising expenses or cause us to choose less expensive but possibly less effective marketing and advertising channels. If we implement new marketing and advertising strategies, we may incur significantly higher costs than our current channels, which in turn could adversely affect our operating results. Implementing new marketing and advertising strategies also could increase the risk of devoting significant capital and other resources to endeavors that do not prove to be cost effective. We also may incur marketing and advertising expenses significantly in advance of the time we anticipate recognizing revenue associated with such expenses and our

marketing and advertising expenditures may not generate sufficient levels of brand awareness and conversation or result in increased revenue. Even if our marketing and advertising expenses result in increased sales, the increase might not offset our related expenditures. If we are unable to maintain our marketing and advertising channels on cost-effective terms or replace or supplement existing marketing and advertising channels with similarly or more effective channels, our marketing and advertising expenses could increase substantially, our customer base could be adversely affected, and our business, operating results, financial condition, and reputation could suffer.

A significant portion of our revenue is contingent on an exclusive license agreement with the University of Louisiana at Lafayette.

A significant portion of our revenue is attributable to the sale of our STREAK VISUAL AMMUNITION™. The manufacturing of our STREAK product relies, in part, on a patent that is held by ULL. We have an exclusive license to use the licensed technology, derivative and related technology worldwide. We may renew this license agreement for successive four-year periods provided we are in compliance with the agreement. If we breach the license agreement, the licensor may terminate the agreement and if we fail to renew the license, we may be unable to use the technology, which, in either case, could significantly harm our results of operations.

Regulatory Risks

We are subject to extensive regulation and could incur fines, penalties and other costs and liabilities under such requirements.

Like many other manufacturers and distributors of consumer products, we are required to comply with a wide variety of laws, rules, and regulations, including those relating to labor, employment, the environment, the export and import of our products, and taxation. These laws, rules, and regulations currently impose significant compliance requirements on our business, and more restrictive laws, rules and regulations may be adopted in the future.

Our operations are subject to a variety of laws and regulations relating to environmental protection, including those governing the discharge, treatment, storage, transportation, remediation, and disposal of certain materials and wastes, and restoration of damages to the environment, and health and safety matters. We could incur substantial costs, including remediation costs, resource restoration costs, fines, penalties, and third-party property damage or personal injury claims as a result of liabilities under or violations of such laws and regulations or the permits required thereunder. While environmental laws and regulations have not had a material adverse effect on our business, operating results, financial condition, the ultimate cost of environmental liabilities is difficult to accurately predict and we could incur material additional costs as a result of requirements or obligations imposed or liabilities identified in the future.

As a manufacturer and distributor of consumer products, we are subject to the Consumer Products Safety Act, which empowers the Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the Consumer Products Safety Commission could require us to repurchase or recall one or more of our products. In addition, laws regulating certain consumer products exist in some cities and states, and in other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future. Any repurchase or recall of our products could be costly to us and could damage our reputation. If we were required to remove, or we voluntarily removed, our products from the market, our reputation could be tarnished, and we could have large quantities of finished products that we are unable to sell. We are also subject to the rules and regulations of the Bureau of Alcohol, Tobacco, Firearms and Explosives, or the ATF. If we fail to comply with ATF rules and regulations, the ATF may limit our growth or business activities, levy fines against or revoke our license to do business. Our business, and the business of all producers and marketers of ammunition and firearms, is also subject to numerous federal, state, local, and foreign laws, regulations, and protocols. Applicable laws have the following effects:

- require the licensing of all persons manufacturing, exporting, importing, or selling firearms and ammunition as a business;
- require background checks for purchasers of firearms;
- impose waiting periods between the purchase of a firearm and the delivery of a firearm;
- prohibit the sale of firearms to certain persons, such as those below a certain age and persons with criminal records;
- regulate the use and storage of gun powder or other energetic materials;
- regulate our employment of personnel with criminal convictions; and
- restrict access to firearm manufacturing facilities for individuals from other countries or with criminal convictions.

Also, the export of our products is controlled by International Traffic in Arms Regulations, or ITAR, and Export Administration Regulations, or EAR. The ITAR implements the provisions of the Arms Export Control Act and is enforced by the U.S. Department of State. The EAR implements the provisions of the Export Administration Act and is enforced by the U.S. Department of Commerce. Among their many provisions, the ITAR and the EAR require a license application for the export of many of our products. In addition, the ITAR requires congressional approval for any firearms export application with a total value of \$1 million or higher. Further, because our manufacturing process includes certain toxic, flammable and explosive chemicals, we are subject to the Chemical Facility Anti-Terrorism Standards, as administered by the U.S. Department of Homeland Security, which require that we take additional reporting and security measures related to our manufacturing process.

Several states currently have laws in effect that are similar to, and, in certain cases, more restrictive than, these federal laws. Compliance with all of these regulations is costly and time-consuming. Any violation of any of these regulations could cause us to incur fines and penalties, may also to restrictions on our ability to manufacture and sell our products and services and to import or export the products we sell and may cause our business to be harmed.

Changes in government policies and firearms legislation could adversely affect our financial results.

The sale, purchase, ownership, and use of firearms are subject to numerous and varied federal, state, and local governmental regulations. Federal laws governing firearms include the National Firearms Act, the Federal Firearms Act, the Arms Export Control Act, and the Gun Control Act of 1968. These laws generally govern the manufacture, import, export, sale, and possession of firearms and ammunition. We hold all necessary licenses to legally sell ammunition in the United States.

Currently, the federal legislature and several state legislatures are considering additional legislation relating to the regulation of firearms and ammunition. These proposed bills are extremely varied. If enacted, such legislation could effectively ban or severely limit the sale of affected firearms and ammunition. In addition, if such restrictions are enacted and are incongruent, we could find it difficult, expensive, or even practically impossible to comply with them, which could impede new product development and the distribution of existing products. We cannot assure you that the regulation of our business activities will not become more restrictive in the future and that any such restriction will not have a material adverse effect on our business.

Any adverse change to the interpretations of the Second Amendment (Right to Bear Arms) could impact our ability to conduct business by restricting the ownership and use of firearms in the United States.

Risks Related to our Common Stock

Our shares are listed on the Nasdaq Capital Market; however, if we fail to comply with Nasdaq's rules for continued listing or other requirements, our shares may be delisted.

Our Common Stock is listed on the Nasdaq Capital Market ("Nasdaq") under the symbol "POWW." If we fail to comply with Nasdaq's rules for continued listing, including, without limitation, minimum market capitalization and other requirements, Nasdaq may take steps to delist our shares. Failure to maintain our Nasdaq listing would make it more difficult for shareholders to sell our Common Stock and more difficult to obtain accurate price quotations on our Common Stock. The delisting of our shares could have an adverse effect on the price of our Common Stock. Our ability to issue additional securities for financing or other purposes, or otherwise to arrange for any financing we may need in the future, may also be materially and adversely affected if our Common Stock is not traded on a national securities exchange.

The exercise of warrants, and issuance of incentive stock grants may have a dilutive effective on our stock, and negatively impact the price of our Common Stock.

As of June 25, 2021, we had 3,422,677 warrants outstanding with a weighted average exercise price of \$2.33. As of June 25, 2021, there were no options outstanding and 3,534,170 shares of Common Stock are reserved for future issuance under the 2017 Equity Incentive Plan. We plan to adopt a new Incentive Stock Plan designed to assist us in attracting, motivating, retaining, and rewarding high-quality executives, directors, officers, employees, and individual consultants by enabling such persons to acquire or increase a proprietary interest in our company to strengthen the mutuality of interests between such persons and our stockholders and providing such persons with performance incentives to expand their maximum efforts in the creation of stockholder value under the plan. We will be able to grant stock options, restricted stock, restricted stock units, stock appreciation rights, bonus stocks, and performance awards under the plan.

To the extent that any of the outstanding warrants and future options are exercised, dilution to the interests of our stockholders may occur. For the life of such warrants and options, the holders will have the opportunity to profit from a rise in the price of the Common Stock with a resulting dilution in the interest of the other holders of Common Stock. The existence of such warrants and options may adversely affect the market price of our Common Stock.

Our management has concluded that we have material weaknesses in our internal controls over financial reporting and that our disclosure controls and procedures are not effective. If we fail to develop or maintain an effective system of internal

controls, we may not be able to accurately report our financial results or prevent financial fraud. As a result, current and potential stockholders could lose confidence in our financial reporting.

As a public company, we are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”). Section 404 requires us to include management’s assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year in our Annual Report on Form 10-K. This report must also include disclosure of any material weaknesses in internal control over financial reporting that we have identified.

During the audit of our financial statements for the year ended March 31, 2021, our management identified material weaknesses in our internal control over financial reporting. Due to the size of the Company and available resources, there are limited personnel to assist with the accounting and financial reporting function, which results in: (i) a lack of segregation of duties and (ii) controls that may not be adequately designed or operating effectively. In addition, as of March 31, 2021, our management concluded that our disclosure controls and procedures were not effective. These material weaknesses, if not remediated, create an increased risk of misstatement of the Company’s financial results, which, if material, may require future restatement thereof. A failure to implement improved internal controls, or difficulties encountered in their implementation or execution, could cause future delays in our reporting obligations and could have a negative effect on us and the trading price of our Common Stock. If these weaknesses and inadequate disclosure controls and procedures continue, investors could lose confidence in the accuracy and completeness of our financial reports and other disclosures.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we could be subject to regulatory action or other litigation and our operating results could be harmed.

General Risk Factors

Our operating results may experience significant fluctuations.

Many factors can contribute to significant fluctuations in our results of operations. These factors include the following:

- the cyclical nature of the markets we serve;
- the timing and size of new orders;
- the cancellation of existing orders;
- the volume of orders relative to our capacity;
- product introductions and market acceptance of new products or new generations of products;
- timing of expenses in anticipation of future orders;
- changes in product mix;
- availability of production capacity;
- changes in cost and availability of labor and raw materials;
- timely delivery of products to customers;
- pricing and availability of competitive products;
- new product introduction costs;
- changes in the amount or timing of operating expenses;
- introduction of new technologies into the markets we serve;
- pressures on reducing selling prices;
- our success in serving new markets;
- adverse publicity regarding the safety, performance, and use of our products;

- the institution and adverse outcome of any litigation;
- political, economic, or regulatory developments;
- changes in economic conditions; and
- natural and manmade disasters, including COVID-19.

As a result of these and other factors, we believe that period-to-period comparisons of our results of operations may not be meaningful in the short term, and our performance in a particular period may not be indicative of our performance in any future period.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

In the future, we may require additional capital to fund the planned expansion of our business and to respond to business opportunities, challenges, potential acquisitions, or unforeseen circumstances. We could encounter unforeseen difficulties that may deplete our capital resources rapidly, which could require us to seek additional financing in the near future. The timing and amount of any additional financing that is required to continue the expansion of our business and the marketing of our products will depend on our ability to improve our operating results and other factors. We may not be able to secure additional debt or equity financing on a timely basis or on favorable terms, or at all. Such financing could result in substantial dilution of the equity interests of existing stockholders. If we are unable to secure any necessary additional financing, we may need to delay expansion plans, conserve cash, and reduce operating expenses. There is no assurance that any additional financing will be sufficient, that the financing will be available on terms favorable to us or to existing stockholders and at such times as required, or that we will be able to obtain the additional financing required for the continued operation and growth of our business. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. If we raise additional funds through further issuances of equity, convertible debt securities, or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders of our Common Stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited.

Our charter documents and Delaware law could make it more difficult for a third party to acquire us and discourage a takeover.

Our certificate of incorporation, bylaws, and Delaware law contain certain provisions that may have the effect of deterring or discouraging, among other things, a non-negotiated tender or exchange offer for shares of Common Stock, a proxy contest for control of our company, the assumption of control of our company by a holder of a large block of Common Stock, and the removal of the management of our company. Such provisions also may have the effect of deterring or discouraging a transaction which might otherwise be beneficial to stockholders. Our certificate of incorporation also may authorize our board of directors, without stockholder approval, to issue one or more series of preferred stock, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of Common Stock. Delaware law also imposes conditions on certain business combination transactions with “interested stockholders.” Our certificate of incorporation authorizes our Board of Directors to fill vacancies or newly created directorships. A majority of the directors then in office may elect a successor to fill any vacancies or newly created directorships. Such provisions could limit the price that investors might be willing to pay in the future for shares of our Common Stock and impede the ability of the stockholders to replace management.

The elimination of monetary liability against our directors, officers, and employees under Delaware law and the existence of indemnification rights to our directors, officers, and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers, and employees. We also may have entered into contractual indemnification obligations under employment agreements with our executive officers. The foregoing indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even though such actions, if successful, might otherwise benefit our company and our stockholders.

Our certification of incorporation designates the Court of Chancery in the State of Delaware as the sole and exclusive forum for actions or proceedings that may be initiated by our stockholders, which could discourage claims or limit stockholders’ ability to make a claim against the Company, our directors, officers, and employees.

Our Amended and Restated Certificate of Incorporation states that unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for any stockholder (including a beneficial) to bring (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) an action asserting

a claim of breach of fiduciary duty owed by any director, officer, or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation, its directors, officers, or employees arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws, or (iv) any action asserting a claim against the Corporation, its directors, officers, or employees governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery, or for which the Court of Chancery does not have subject matter jurisdiction.

These exclusive forum provisions do not apply to claims under the Securities Act or the Exchange Act. The exclusive forum provision may discourage claims or limit stockholders' ability to submit claims in a judicial forum that they find favorable and may create additional costs as a result. If a court were to determine the exclusive forum provision to be inapplicable and unenforceable in an action, we may incur additional costs in conjunction with our efforts to resolve the dispute in an alternative jurisdiction, which could have a negative impact on our results of operations.

Risks Related to our Series A Preferred Stock

The Series A Preferred Stock ranks junior to all of our indebtedness and other liabilities.

In the event of our bankruptcy, liquidation, dissolution or winding-up of our affairs, the Series A Preferred Stock will be entitled to receive any of our assets remaining only after all of our indebtedness and other liabilities have been paid. The rights of holders of the Series A Preferred Stock to participate in the distribution of our assets will rank junior to the prior claims of our current and future creditors and any future series or class of preferred stock we may issue that ranks senior to the Series A Preferred Stock. Also, the Series A Preferred Stock effectively ranks junior to all existing and future indebtedness and to the indebtedness and other liabilities of our existing subsidiaries and any future subsidiaries. Our existing subsidiaries are, and future subsidiaries would be, separate legal entities and have no legal obligation to pay any amounts to us in respect of dividends due on the Series A Preferred Stock. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all of the Series A Preferred Stock then outstanding. We have incurred and may in the future incur substantial amounts of debt and other obligations that will rank senior to the Series A Preferred Stock. At March 31, 2021, our total liabilities equaled approximately \$19.1 million.

Certain of our existing or future debt instruments may restrict the authorization, payment or setting apart of dividends on the Series A Preferred Stock. Also, future offerings of debt or senior equity securities may adversely affect the market price of the Series A Preferred Stock. If we decide to issue debt or senior equity securities in the future, it is possible that these securities will be governed by an indenture or other instruments containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of the Series A Preferred Stock and may result in dilution to owners of the Series A Preferred Stock. We and, indirectly, our shareholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. The holders of the Series A Preferred Stock will bear the risk of our future offerings, which may reduce the market price of the Series A Preferred Stock and will dilute the value of their holdings in us.

The trading market for the Series A preferred stock may not provide investors with adequate liquidity.

The Series A Preferred Stock has only been listed since May 21, 2021 and does not have an established trading market. The Series A Preferred Stock is listed on Nasdaq under the symbol "POWWP." We cannot assure you that an active after-market for the Series A Preferred Stock will develop or be sustained or that holders of the Series A Preferred Stock will be able to sell their shares at favorable prices or at all. The difference between bid and ask prices in any secondary market for the Series A Preferred Stock could be substantial. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Series A Preferred Stock, and holders of the Series A Preferred Stock may be required to bear the financial risks of an investment in the Series A Preferred Stock for an indefinite period of time.

We may issue additional shares of Series A Preferred Stock and additional series of preferred stock that rank on parity with the Series A Preferred Stock as to dividend rights, rights upon liquidation or voting rights.

We are allowed to issue additional shares of Series A Preferred Stock and additional series of preferred stock that would rank junior to the Series A Preferred Stock as to dividend payments and rights upon our liquidation, dissolution or winding up of our affairs pursuant to our certificate of incorporation and the certificate of designations relating to the Series A Preferred Stock without any vote of the holders of the Series A Preferred Stock. The issuance of additional shares of Series A Preferred Stock and additional series of preferred stock that have been authorized pursuant to our certificate of incorporation and the certificate of designations could have the effect of reducing the amounts available to the Series A Preferred Stock upon our liquidation or dissolution or the winding up of our affairs. It also may reduce dividend payments on the Series A Preferred Stock if we do not have sufficient funds to pay

dividends on all Series A Preferred Stock outstanding and other classes or series of stock with greater or equal priority with respect to dividends.

Also, although holders of Series A Preferred Stock are entitled to limited voting rights, as described in this prospectus supplement under “Description of the Series A Preferred Stock—Voting Rights,” with respect to the circumstances under which the holders of Series A Preferred Stock are entitled to vote, the Series A Preferred Stock votes separately as a class along with all other series of our preferred stock that we may issue upon which like voting rights have been conferred and are exercisable. As a result, the voting rights of holders of Series A Preferred Stock may be significantly diluted, and the holders of such other series of preferred stock that we may issue may be able to control or significantly influence the outcome of any vote.

Future issuances and sales of senior or pari passu preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Series A Preferred Stock and our Common Stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

Market interest rates may materially and adversely affect the value of the Series A Preferred Stock.

One of the factors that influences the price of the Series A Preferred Stock is the dividend yield on the Series A Preferred Stock (as a percentage of the market price of the Series A Preferred Stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of the Series A Preferred Stock to expect a higher dividend yield (and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for dividend payments). Thus, higher market interest rates could cause the market price of the Series A Preferred Stock to materially decrease.

We may not be able to pay dividends on the Series A Preferred Stock if we have insufficient cash to make dividend payments.

Our ability to pay cash dividends on the Series A Preferred Stock requires us to have either net profits or positive net assets (total assets less total liabilities) over our capital, to be able to pay our debts as they become due in the usual course of business. Further, notwithstanding these factors, we may not have sufficient cash to pay dividends on the Series A Preferred Stock. Our ability to pay dividends may be impaired if any of the risks described in this prospectus, including the documents incorporated by reference herein, were to occur. Also, payment of our dividends depends upon our financial condition and other factors as our board of directors may deem relevant from time to time. We cannot assure you that our businesses will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our Common Stock, if any, and preferred stock, including the Series A Preferred Stock to pay our indebtedness or to fund our other liquidity needs.

Dividends or other payments with respect to the Series A Preferred Stock may be subject to withholding taxes in circumstances where we are not obliged to make gross up payments, and this could result in holders receiving less than expected in such circumstances.

In the event of certain changes to current tax law that require tax to be withheld from dividends or other payments on the Series A Preferred Stock, we are not required to make gross up payments in respect of such taxes. This would result in holders of Series A Preferred Stock receiving less than expected and could materially adversely affect the return on your investment.

Our Series A Preferred Stock has not been rated.

We have not sought to obtain a rating for the Series A Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series A Preferred Stock. Also, we may elect in the future to obtain a rating for the Series A Preferred Stock, which could adversely affect the market price of the Series A Preferred Stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward, placed on a watch list or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision, placing on a watch list or withdrawal of a rating could have an adverse effect on the market price of the Series A Preferred Stock.

We may redeem the Series A Preferred Stock.

On or after May 18, 2026, we may, at our option, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time. Also, upon the occurrence of a Change of Control (as defined below under “Description of the Series A Preferred Stock - Redemption”), we may, at our option, redeem the Series A Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred. We may have an incentive to redeem the Series A Preferred Stock voluntarily if market conditions allow us to issue other preferred stock or debt securities at a rate that is lower than the dividend on the Series A Preferred Stock. If we redeem the Series A Preferred Stock, then from and after the redemption date, dividends will cease to accrue on shares of Series A Preferred Stock, the shares of Series A Preferred Stock shall no longer be deemed outstanding and all rights as a holder of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption.

The market price of the Series A Preferred Stock could be substantially affected by various factors.

The market price of the Series A Preferred Stock depends on many factors, which may change from time to time, including:

- prevailing interest rates, increases in which may have an adverse effect on the market price of the Series A Preferred Stock;
- trading prices of similar securities;
- our history of timely dividend payments;
- the annual yield from dividends on the Series A Preferred Stock as compared to yields on other financial instruments;
- general economic and financial market conditions;
- government action or regulation;
- the financial condition, performance and prospects of us and our competitors;
- changes in financial estimates or recommendations by securities analysts with respect to us or our competitors in our industry;
- our issuance of additional preferred equity or debt securities; and
- actual or anticipated variations in quarterly operating results of us and our competitors.

As a result of these and other factors, holders of the Series A Preferred Stock may experience a decrease, which could be substantial and rapid, in the market price of the Series A Preferred Stock, including decreases unrelated to our operating performance or prospects.

A holder of Series A Preferred Stock has extremely limited voting rights.

The voting rights for a holder of Series A Preferred Stock are limited. Our shares of Common Stock are the only class of our securities that carry full voting rights. Voting rights for holders of the Series A Preferred Stock exist primarily with respect to the ability to elect, voting together with the holders of any other series of our preferred stock having similar voting rights, two additional directors to our board of directors, subject to limitations described in this prospectus supplement entitled “Description of the Series A Preferred Stock—Voting Rights,” in the event that dividends payable on the Series A Preferred Stock are in arrears for four or more consecutive or non-consecutive quarterly dividend periods, and with respect to voting on amendments to our certificate of incorporation or certificate of designations relating to the Series A Preferred Stock that materially and adversely affect the rights of the holders of Series A Preferred Stock or authorize, increase or create additional classes or series of our capital stock that are senior to the Series A Preferred Stock. Other than the limited circumstances described in the prospectus and except to the extent required by law, holders of Series A Preferred Stock do not have any voting rights. Please see the section in this prospectus supplement entitled “Description of the Series A Preferred Stock—Voting Rights.”

The Series A Preferred Stock is not convertible, and investors will not realize a corresponding upside if the price of the Common Stock increases.

The Series A Preferred Stock is not convertible into the Common Stock and earns dividends at a fixed rate. Accordingly, an increase in market price of our Common Stock will not necessarily result in an increase in the market price of our Series A Preferred Stock. The market value of the Series A Preferred Stock may depend more on dividend and interest rates for other preferred stock, commercial paper and other investment alternatives and our actual and perceived ability to pay dividends on, and in the event of dissolution satisfy the liquidation preference with respect to, the Series A Preferred Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located in Scottsdale, Arizona where we lease approximately 21,000 square feet under a month-to-month triple net lease for approximately \$18,000 per month. This space houses our principal executive, administration, and marketing functions.

We lease a 20,000 square foot facility located in Payson, Arizona for approximately \$10,000 per month under a lease expiring in November 2021. We utilize the facility for our principal ammunition manufacturing, testing, research and development, packaging, and shipping activities.

We lease a 50,000 square foot facility located in Manitowoc, Wisconsin for approximately \$34,000 per month. We utilize this facility for our ammunition casing manufacturing, research and development, packing and shipping activities, We believe this facility will be adequate to meet our needs in the near future.

We lease a 50,000 square foot facility located in Two Rivers, Wisconsin for approximately \$12,000 per month. We utilize this facility for ammunition manufacturing, packaging, and shipping activities.

We lease a 36,000 square foot facility located in Manitowoc, Wisconsin for approximately \$9,000 per month. We utilize this facility for manufacturing and packaging.

ITEM 3. LEGAL PROCEEDINGS

We are involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business. While the outcome of lawsuits and other proceedings against us cannot be predicted with certainty, in the opinion of management, individually or in the aggregate, no such lawsuits are expected to have a material effect on our financial position, results of operations or cash flows. We record accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated.

Please reference the Contingencies section of Note 2 of our Financial Statements for additional disclosure.

ITEM 4. MINE SAFETY DISCLOSURE

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Stock has been listed on Nasdaq since December 1, 2020 and is trading on Nasdaq under the symbol "POWW". Prior to December 1, 2020, our Common Stock had traded on the OTCQB Market since December 2018.

Holders of Common Equity

As of June 25, 2021, a total of 111,810,233 shares of our Common Stock were outstanding and there were approximately 293 holders of record.

Dividend Information

We have never declared or paid dividends on our Common Stock. Payment of future dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including the terms of any credit arrangements, our financial condition, operating results, current and anticipated cash needs and plans for expansion. At the present time, we intend to retain any earnings in our business, and therefore do not anticipate paying dividends in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of March 31, 2021 with respect to our compensation plans under which equity securities may be issued.

<u>Plan Category</u>	<u>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
Equity compensation plans approved by security holders:			
2017 Equity Incentive Plan	-	-	3,534,170
Total	<u>-</u>	<u>-</u>	<u>3,534,170</u>

Transfer Agent

We have appointed Action Stock Transfer Corporation ("AST") as the transfer agent for our Common Stock and Series A Preferred Stock. The principal office of AST is located at 2469 E. Fort Union Blvd, Suite 214, Salt Lake City, UT 84121, and its telephone number is (801) 274-1088.

Recent Sales of Unregistered Securities

On February 9, 2021, we issued 3,750 shares of our Common Stock for services for a total value of \$7,500 or \$2.00 per share. From December 23, 2020 to February 22, 2021, the Company issued 10,000 shares of Common Stock for Employee Stock compensation for a total value of \$16,500 or \$1.65 per share.

ITEM 6. SELECTED FINANCIAL DATA

Not required.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This document contains certain "forward-looking statements". All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies, goals and objectives of management for future operations; any statements concerning proposed new products and services or developments thereof; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward looking statements may include the words "may," "could," "estimate," "intend," "continue," "believe," "expect," or "anticipate," or other similar words, or the negative thereof. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures and risk factors we included in the section titled Risk Factors contained herein.

Overview

Our vision is to modernize the ammunition industry by bringing new technologies to market. We intend to do that through acquisition and application of intellectual property that is unique to the industry and through investing in manufacturing equipment and processes that enable us to compete globally.

Our innovative line of match grade armor piercing (AP) and hard armor piercing incendiary (HAPI) tactical rounds are the centerpiece of the Company's strategy to address the unique needs of the armed forces community. This ammunition was designed around a match grade portfolio of projectiles, that include a solid copper boat tail and armor piercing configuration. The distinction between these rounds and other sold, is that the manufacturing process was engineered to ensure extremely tight tolerances between each projectile manufactured, ensuring for the end user that the ballistic trajectory remains consistent between rounds without regard to the actual configuration or round fired. Our AP and HAPI line is also available with our O.W.L. Technology™. The Company has aligned its manufacturing operations to support the large caliber demand from military personnel, such as the 12.7 mm and .50 caliber BMG configurations. On February 2, 2021, we announced that we restarted our improved .50 caliber manufacturing line to address increased market demand and fulfill current orders.

Through JMC, we offer ammunition casings for pistol ammunition through large rifle ammunition. Jagemann Munitions Components is backed by decades of manufacturing experience that allows the production of high-quality pistol brass and rifle brass components. Borne from the automotive industry and refined over time to deliver durable and consistent sporting components, Jagemann™ Casings, has become one of the largest brass manufacturers in the country, with the capacity to produce more than 750 million pieces of brass each year with the ability to scale to 1 billion rounds on an annual basis.. Proud of its American-made components and capabilities, the Company now has complete control over the manufacturing process. This results in a number of advantages when it comes to the brass that leaves our state-of-the-art facility.

On April 30, 2021, we acquired Gemini and nine of its subsidiaries, all of which are related to Gemini's ownership of the Gunbroker.com business.

GunBroker.com is a large online marketplace dedicated to firearms, hunting, shooting and related products. Aside from merchandise bearing its logo, GunBroker.com currently sells none of the items listed on its website. Third-party sellers list items on the site and federal and state laws govern the sale of firearms and other restricted items. Ownership policies and regulations are followed using licensed firearms dealers as transfer agents.

The focus for our 2022 fiscal year is to continue to expand our brand presence into the markets identified above and to continue to grow our sales within our targeted markets. We intend to do this through establishing key strategic relationships, enrolling in government procurement programs, establishing relationships with leading law enforcement associations and programs, expanding distributor channels, and revitalized marketing campaigns.

Results of Operations

Our financial results for the year ended March 31, 2021 reflect our newly positioned organization. We believe that we have hired a strong team of professionals, developed innovative products, and continue to raise capital sufficient to establish our presence as a high-quality ammunition provider. We continue to focus on growing our top line revenue, and streamlining our operations, and we experienced an increase in our gross profit margin for the year ended March 31, 2021. This was the result of a significant increase in sales allowing us to cover a greater percentage of our fixed manufacturing costs, which include our non-cash amortization and depreciation expense.

The following table presents summarized financial information taken from our consolidated statements of operations for the year ended March 31, 2021 compared with the year ended March 31, 2020:

	For the Year Ended	
	March 31, 2021	March 31, 2020
Net Sales	\$ 62,482,330	\$ 14,780,365
Cost of Products Sold	51,095,679	18,455,904
Gross Margin	11,386,651	(3,675,539)
Sales, General & Administrative Expenses	16,766,636	10,161,954
Loss from Operations	(5,379,985)	(13,837,493)
Other income (expense)		
Other income (expense)	(2,432,309)	(719,187)
Loss before provision for income taxes	\$ (7,812,294)	\$ (14,556,680)
Provision for income taxes	-	-
Net Loss	\$ (7,812,294)	\$ (14,556,680)

Non-GAAP Financial Measures

We analyze operational and financial data to evaluate our business, allocate our resources, and assess our performance. In addition to total net sales, net income (loss), and other results under generally accepted accounting principles (GAAP), the following information includes key operating metrics and non-GAAP financial measures we use to evaluate our business. We believe these measures are useful for period-to-period comparisons of the Company. We have included these non-GAAP financial measures in this Annual Report on Form 10-K because they are key measures we use to evaluate our operational performance, produce future strategies for our operations, and make strategic decisions, including those relating to operating expenses and the allocation of our resources. Accordingly, we believe these measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Adjusted EBITDA

	For the	For the
	Year Ended	Year Ended
	March 31, 2021	March 31, 2020
Reconciliation of GAAP net income to Adjusted EBITDA		
Net (Loss)	(7,812,294)	(14,556,680)
Depreciation and amortization	4,876,756	4,455,962
Interest expense, net	3,009,094	719,187
Excise taxes	4,286,258	643,735
Employee stock awards	1,450,359	901,526
Stock grants	278,585	534,929
Stock for services	1,707,500	352,300
Contingent consideration fair value	(119,731)	(190,377)
Other income	(576,785)	-
Loss on purchase	1,000,000	-
Adjusted EBITDA	<u>\$ 8,099,742</u>	<u>\$ (7,139,418)</u>

Adjusted EBITDA is a non-GAAP financial measures that displays our net loss, adjusted to eliminate the effect of certain items as described below.

We have excluded the following non-cash expenses from our non-GAAP financial measures: depreciation and amortization, interest expense, excise taxes, loss on purchase, share-based compensation expenses, other income, and changes to the contingent consideration fair value. We believe it is useful to exclude these non-cash expenses because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations.

Adjusted EBITDA as a non-GAAP financial measure also excludes other cash interest income and expense, as these items are not components of our core operations. We have not included adjustment for any provision or benefit for income taxes as we currently record a valuation allowance and we have included adjustment for excise taxes.

Non-GAAP financial measures have limitations, should be considered as supplemental in nature and are not meant as a substitute for the related financial information prepared in accordance with GAAP. These limitations include the following:

- Employee stock awards and stock grants expense has been, and will continue to be for the foreseeable future, a significant recurring expense in the Company and an important part of our compensation strategy;
- the assets being depreciated or amortized may have to be replaced in the future, and the non-GAAP financial measures do not reflect cash capital expenditure requirements for such replacements or for new capital expenditures or other capital commitments; and
- non-GAAP measures do not reflect changes in, or cash requirements for, our working capital needs
- other companies, including companies in our industry, may calculate the non-GAAP financial measures differently or not at all, which reduces their usefulness as comparative measures

Because of these limitations, you should consider the non-GAAP financial measures alongside other financial performance measures, including our net loss and our other financial results presented in accordance with GAAP.

Net Sales

The following table shows our net sales by proprietary ammunition versus standard ammunition for the periods ended March 31, 2021 and March 31, 2020. “Proprietary Ammunition” include those lines of ammunition manufactured by our facilities that are sold under the brand names: STREAK VISUAL AMMUNITION™, One Precise Shot (OPS), Night Ops, Jesse James, Jeff Rann, and Stelth. We define “Standard Ammunition” as non-proprietary ammunition that directly competes with other brand manufacturers. Our “Standard Ammunition” is manufactured within our facility and may also include completed ammunition that has been acquired in the open market for sale to others. Also included in this category is low cost target pistol and rifle ammunition, as well as bulk packaged ammunition manufactured by us using reprocessed brass casings. Ammunition within this product line typically carries much lower gross margins.

	For the Year Ended	
	March 31, 2021	March 31, 2020
Proprietary Ammunition	\$ 5,340,823	\$ 3,029,911
Standard Ammunition	44,279,707	3,561,285
Ammunition Casings	12,861,800	8,189,169
Total Sales	<u>\$ 62,482,330</u>	<u>\$ 14,780,365</u>

Sales for the year ended March 31, 2021 increased 323% or \$47,701,965, over the year ended March 31, 2020. This increase was the result of approximately \$40.7 million of increased sales in bulk pistol and rifle ammunition, an increase of approximately \$2.3 million of respective sales of Proprietary Ammunition and an increase of approximately \$4.7 million of sales from our casing operations. Management expects the sales of Proprietary Ammunition to outpace the sales of our Standard Ammunition.

We are focused on continuing to grow top line revenue quarter-over-quarter as we continue to further expand distribution into commercial markets, introduce new product lines, and continue to initiate sales to U.S. law enforcement, military, and international markets.

We added ammunition casings to our product offerings at March 15, 2019 and expect the ammunition casing sales to continue to be a significant part of our sales moving forward.

Through our acquisition of SWK, the Company has developed and deployed a new line of tactical armor piercing (AP) and hard armor piercing incendiary (HAPI) precision ammunition to meet the lethality requirements of both the US and foreign military customers. This line was formally launched at SHOT Show in Las Vegas, where our team demonstrated or presented the capability to more than 15 countries around the world. We continue to demonstrate our AP and HAPI ammunition to military personnel at scheduled and invite only events, resulting in increased interest and procurement discussions.

It is important to note that, although U.S. law enforcement, military and international markets represent significant opportunities for our company, they also have a long sales cycle. The Company’s sales team has been effective in establishing sales and distribution channels, both in the United States and abroad, which are reasonably anticipated to drive sustained sales opportunity in the military, law enforcement, and commercial markets.

Sales outside of the United States require licenses and approval from either the U.S. Department of Commerce or the U.S. State Department, which typically takes approximately 30 days to receive. On July 21, 2020, we renewed our annual registration with the International Traffic in Arms Regulations (ITAR), which remains valid through the report date. This permits the Company to export and broker ammunition and other controlled items covered under ITAR.

Cost of Goods Sold

Cost of goods sold increased by approximately \$32.6 million from \$18.5 million to \$51.1 million, respectively for the year ended March 31, 2021 compared with the year ended March 31, 2020. This was the result of a significant increase in net sales as well increases to non-cash depreciation related to our newly acquired casing operations, expensing of increased labor, overhead, and raw

materials used to produce finished product during 2020 as compared to 2019. As a percentage of sales, cost of goods sold decreased by 34.5% when comparing the year ended March 31, 2021 to the year ended March 31, 2020.

Gross Margin

Our gross margin percentage increased to 18.2% from -24.9% during the year ended March 31, 2021 as compared to the same period in 2020. This was a result of increased sales allowing us to cover a greater percentage of our fixed manufacturing costs, which include our non-cash amortization and depreciation expense.

We believe as we continue to grow sales through new markets and expanded distribution that our gross margins will also increase, as evidenced by the improvement over this time last year. Our goal in the next 12 to 24 months is to continue to improve our gross margins. This will be accomplished through the following:

- Increased product sales, specifically of proprietary lines of ammunition, like the STREAK VISUAL AMMUNITION™, OPS, Stelth and now our tactical Armor Piercing (AP) and Hard Armor Piercing Incendiary (HAPI) precision ammunition, all of which carry higher margins as a percentage of their selling price;
- Introduction of new lines of ammunition that historically carry higher margins in the consumer and government sectors;
- Reduced component costs through acquisition our recent casing operation acquisition and expansion of strategic relationships with component providers;
- Expanded use of automation equipment that reduces the total labor required to assemble finished products
- And, better leverage of our fixed costs through expanded production to support the sales objectives.

Operating Expenses

Overall, for the year ended March 31, 2021, our operating expenses increased by approximately \$6.6 million over the year ended March 31, 2020, but decreased as a percentage of sales from 68.8% for the year ended March 31, 2020 to 26.8% for the year ended March 31, 2021. The increase was related to a non-cash adjustment to recognize a loss on \$1.0 million of Construction in Progress that the Company had previously agreed to exchange with Jagemann Stamping Company, as well as increases in Operating Expenses from our increases in Net Sales and from our efforts to uplist to Nasdaq. Our operating expenses included of non-cash depreciation and amortization expense of approximately \$1.7 million. Our operating expenses consisted of cost for the expansion our sales and support team, stock compensation expense associated with issuance of our Common Stock in lieu of cash compensation for employees, board members, and key consultants for the organization during the period, and trade show and marketing costs associated with introducing our lines of ammunition. Operating expenses for the fiscal years ended 2021 and 2020 included noncash expenses of approximately \$6.0 million and \$3.2 million, respectively. We also experienced increases as a result of new investor and public relations programs, and professional fees associated with our acquisition activity, our public filings, and our efforts to uplist the Company from the OTC to Nasdaq. We expect to see administrative expenditures to continue to decrease as a percentage of sales in the 2021 fiscal year, as we leverage our work force and expand our sales opportunities.

During the year ended March 31, 2021, our selling and marketing expenses increased by approximately \$687,000. The increase was primarily related to commission on the increases in the sale of our products resulting of approximately \$1.4 million of increase in commissions and a reduction in our advertising expenses of approximately \$306,000 for the year ended March 31, 2021 in comparison to the comparable prior year.

Our corporate general & administrative expenses increased approximately \$3.5 million in the current period from the prior year mainly due to increased professional and legal fees, which included noncash stock compensation of \$1.7 million and a decrease related to a noncash fair value adjustment to Contingent Consideration of approximately \$119,000.

Employee salaries and related expenses increased approximately \$1.4 million for the year ended March 31, 2021 compared to the comparable period ended in 2020. This was a result of increased payroll and related expenses of \$1.1 million and employee stock compensation of approximately \$292,000.

Depreciation and amortization expenses increased approximately \$60,000 from the period due to the addition of assets.

Interest and Other Expenses

For the year ended March 31, 2021, interest expense increased by approximately \$2.3 million compared with the comparable year ended March 31, 2020. The change from the prior period was mainly due to approximately \$1.3 million of non-cash interest expense recognized on the issuance of warrants to purchase Common Stock, approximately \$446,000 debt discount amortization related to Convertible Promissory Notes as well as increases in interest expense and debt discount amortization related to Note

Payables Related Party, Note Payable, and Convertible Promissory Notes. Interest expense for the year ended March 31, 2020 included \$121,000 of non-cash debt discount amortization related to the Convertible Promissory Notes.

Net Loss

As a result of higher production, selling, and payroll expenses, we ended the year ended March 31, 2021 with net losses of approximately \$7.8 million compared with net losses of approximately \$14.6 million for the year ended March 31, 2020.

Our goal is to continue to improve our operating results as we focus on increasing sales and controlling our operating expenses.

Liquidity and Capital Resources

As of March 31, 2021, we had \$118,341,471 of cash and cash equivalents, an increase of \$117,457,197 from March 31, 2020.

Existing working capital, cash flow from operations, bank borrowings, and sales of equity and debt securities are expected to be adequate to fund our operations over the next year. Generally, we have financed operations to date through the proceeds of stock sales, bank financings, and related-party notes.

Working Capital is summarized and compared as follows:

	March 31, 2021	March 31, 2020
Current assets	\$ 145,620,332	\$ 9,157,110
Current liabilities	12,098,493	12,225,609
	<u>\$ 133,521,839</u>	<u>\$ (3,068,499)</u>

Changes in cash flows are summarized as follows:

Operating Activities

For the year ended March 31, 2021, net cash used in operations totaled \$14,415,560. This was primarily the result of a net loss of \$7,812,294, increases in our period end accounts receivable of \$6,075,373 and our period end Inventories of \$11,458,845, which was offset by increases in accounts payable and accrued liabilities of \$1,810,417 and \$1,843,166, respectively, and a loss on purchase of \$1,000,000. The cash used in operations were partially offset by the benefit of non-cash expenses for depreciation and amortization of \$4,876,756, employee stock compensation of \$1,450,359, stock issued for services of \$1,707,500, stock grants totaling \$278,585, and a decrease related to an adjustment to the fair value of contingent consideration of \$119,731 and forgiveness of our paycheck protection program notes of \$1,051,985.

For the year ended March 31, 2020, net cash used in operations totaled \$5,359,435. This was primarily the result of a net loss of \$14,556,680, increases in our period end accounts receivable of \$1,679,887, which was offset by increases in accounts payable and accrued liabilities of \$3,277,010 and \$1,106,411. The cash used in operations were partially offset by the benefit of non-cash expenses for depreciation and amortization of \$4,455,962, employee stock compensation of \$901,526, stock issued for services of \$352,200, stock grants totaling \$534,929, and an increase related to an adjustment to the fair value of contingent consideration of \$190,377.

Investing Activities

During the year ended March 31, 2021, we used \$7,437,265 in net cash for investing activities to purchase fixed assets such as new production equipment.

During the year ended March 31, 2020, we used \$462,385 in net cash for investing activities compared with \$9,541,907 for the comparable period in 2019. The \$462,385 of cash used to purchase fixed assets such as new production equipment and to acquire end cap displays for the sale of our product at retailers.

Financing Activities

We financed our operations primarily from the issuance of equity instruments. During the year ended March 31, 2021, net cash provided by financing activities was \$139,276,235. This was the net effect of \$138,612,619 generated from the sale of Common Stock, net of cash payments of \$13,895,069 in conjunction with Common Stock offerings. Additionally, \$40,309,292 was generated from accounts receivable factoring, which was offset by payments of \$40,473,083. There was \$3,500,000 of cash generated from the issuance of a related party note payable. These increases to our financing activities were offset by payment of \$8,783,410 on the

related party notes payable, \$514,746 toward our insurance premium note payable and a \$1,500,000 payment on the repurchase and cancellation of 1,000,000 shares of our Common Stock.

During the year ended March 31, 2020, net cash provided by financing activities was \$4,524,848. This was the net effect of \$2,465,540 generated from the sale of Common Stock, net of cash payments of \$285,981 in conjunction with the Unit offerings. We issued \$2,500,000 in Convertible Promissory Notes, net of \$329,000 of issuance costs. Additionally, \$9,747,281 was generated from accounts receivable factoring, which was offset by payments of \$7,741,302. There was \$819,731 of cash was generated from the issuance of a related party note payable. These increases to our financing activities were offset by payment of \$1,885,000 on the related party notes payable, \$466,421 toward our insurance premium note payable and a \$300,000 payment of our Contingent Consideration Payable.

Contractual Obligations

The Company's contractual obligations by maturity as of March 31, 2021 are as follows:

	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 years
Operating Leases	\$ 2,533,663	\$ 847,219	\$ 1,277,592	\$ 408,852	\$ -
Related Party Note Payable	1,490,918	625,147	865,771	-	-
Note Payable (1)	4,000,000		4,000,000		
Contingent Consideration Payable (2)	900,000	-	900,000	-	-
	<u>\$ 8,924,581</u>	<u>\$ 1,472,366</u>	<u>\$ 7,043,363</u>	<u>\$ 408,852</u>	<u>\$ -</u>

(1) Note repayment made subsequent to March 31, 2021.

(2) Contingent consideration is to be paid upon achievement of specific milestones. The date of payment included herein is based upon management estimates.

Off-Balance Sheet Arrangements

As of March 31, 2021, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, net sales, expenses, results of operations, liquidity capital expenditures, or capital resources.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operation are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues, and expenses. We have identified several accounting principles that we believe are key to the understanding of our financial statements. These important accounting policies require our most difficult subjective judgements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made in preparing the consolidated financial statements include the valuation of allowances for doubtful accounts, valuation of deferred tax assets, valuation of inventories, useful lives of assets, intangible assets, and stock-based compensation.

Inventory

We state inventories at the lower of cost or net realizable value. We determine cost by using the weighted-average cost of raw materials method, which approximates the first-in, first-out method and includes allocations of manufacturing labor and overhead. We make provisions when necessary, to reduce excess, potential damaged or obsolete inventories. These provisions are based on our best estimates. At March 31, 2021, and March 31, 2020, we conducted a full analysis of inventory on hand and expensed all inventory not currently in use, or for which there was no future demand.

Research and Development

To date, we have expensed all costs associated with developing our product specifications, manufacturing procedures, and products through our cost of products sold, as this work was done by the same employees who produced the finished product. We

anticipate that it may become necessary to reclassify research and development costs into our operating expenditures for reporting purposes as we begin to develop new technologies and lines of ammunition.

Revenue Recognition

We generate revenue from the production and sale of ammunition. We recognize revenue according to ASC 606. When the customer obtains control over the promised goods or services, we record revenue in the amount of consideration that we can expect to receive in exchange for those goods and services. The Company applies the following five-step model to determine revenue recognition:

- Identification of a contract with a customer
- Identification of the performance obligations in the contact
- determination of the transaction price
- allocation of the transaction price to the separate performance allocation
- recognition of revenue when performance obligations are satisfied

The Company only applies the five-step model when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception and once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. If a contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Our contracts contain a single performance obligation and the entire transaction price is allocated to the single performance obligation. We recognize as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Accordingly, we recognize revenues (net) when the customer obtains control of the Company's product, which typically occurs upon shipment of the product. In the current period, the Company began accepting contract liabilities or Unearned Revenue. We included Unearned Revenue in our accrued liabilities. The Company will recognize revenue when the performance obligation is met.

Excise Tax

As a result of regulations imposed by the Federal Government for sales of ammunition to non-government U.S. entities, we charge and collect an 11% excise tax for all products sold into these channels. During the year ended March 31, 2021 and 2020, we recognized \$4,286,258 and \$643,735, respectively, in excise taxes. For ease in selling to commercial markets, excise tax is included in our unit price for the products sold. We record this through net sales and expense the offsetting tax expense to cost of goods sold.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to us as of March 31, 2021. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair value. These financial instruments include cash, accounts payable, and amounts due to related parties. Fair values were assumed to approximate carrying values because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Income Taxes

We follow ASC subtopic 740-10, "Accounting for Income Taxes" for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggest that is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Stock-Based Compensation

We grant stock-based compensation to key employees and directors as a means of attracting and retaining highly qualified personnel. We also grant stock in lieu of cash compensation for key consultants and service providers. We recognize expense related to stock-based payment transactions in which we receive employee or non-employee services in exchange for equity. We measure stock compensation based on the closing fair market value of our Common Stock on the date of grant.

In addition to our base of employees, we also use the services of several contract personnel and other professionals on an "as needed basis". We plan to continue to use consultants, legal and patent attorneys, engineers and accountants as necessary. We

may also expand our staff to support the market roll-out of our products to both the commercial and government related organizations. A portion of any key employee compensation likely would include direct stock grants, which would dilute the ownership interest of holders of existing shares of our Common Stock.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financials are submitted as a separate section of this Annual Report on Form 10-K beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Effective April 8, 2021, we dismissed Marcum LLP (“Marcum”) as the Company’s independent registered public accounting firm. The decision to change accountants was approved by the Company’s Audit Committee and Board of Directors.

Marcum’s report on the Company’s financial statements for the fiscal year ended March 31, 2020 did not contain an adverse opinion or a disclaimer of opinion, nor was the report qualified or modified as to uncertainty, audit scope or accounting principles except for an explanatory paragraph in the report regarding substantial doubt about the Company’s ability to continue as a going concern.

As of the date of the dismissal, Marcum did not complete its audit of the Company’s consolidated financial statements for the fiscal year ended March 31, 2021. Since Marcum’s appointment on April 22, 2020, and through the date of the dismissal, there were (i) no disagreements with Marcum on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures that, which disagreements if not resolved to their satisfaction would have caused Marcum to make reference to the subject matter of the disagreements in connection with its reports on the Company’s consolidated financial statements for such periods, and (ii) no “reportable events” within the meaning of Item 304(a)(1)(v) of Regulation S-K, other than as noted above regarding the Company’s ability to continue as a going concern and except for the material weaknesses identified related to (i) a lack of segregation of duties; (ii) ineffective corporate governance controls; (iii) controls that may not be adequately designed or operating effectively; and (iv) ineffective or delayed communication of certain contracts entered into in the ordinary course of business, whether written or oral.

Effective April 8, 2021, the Company engaged Pannell Kerr Forster of Texas, P.C. (“PKF”) as the Company’s new independent registered public accounting firm. The decision to change accountants was approved by the Company’s Audit Committee and Board of Directors.

During the two most recent fiscal years ended March 31, 2021 and March 31, 2020 and during the subsequent interim period from April 1, 2021 through April 8, 2021, neither the Company nor anyone on its behalf consulted PKF regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s financial statements, and neither a written report nor oral advice was provided to the Company that PKF concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a “disagreement” or a “reportable event”, each as defined in Regulation S-K Item 304(a)(1)(iv) and 304(a)(1)(v), respectively.

ITEM 9A. CONTROLS AND PROCEDURES

As of March 31, 2021, our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

a) Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed by, or under the supervision of, our chief executive officer and chief financial officer, or persons performing similar

functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control-Integrated Framework*. Based on its evaluation, management has concluded that the Company's internal control over financial reporting was not effective as of March 31, 2021.

During the year ended March 31, 2021, management identified the following weaknesses, which were deemed to be material weaknesses in internal control over financial reporting. Due to the size of the Company and available resources, there are limited personnel to assist with the accounting and financial reporting function, which results in: (i) a lack of segregation of duties and (ii) controls that may not be adequately designed or operating effectively.

Pursuant to Regulation S-K Item 308(b), this Annual Report on Form 10-K does not include an attestation report of our company's registered public accounting firm regarding internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well designed and operated can provide only reasonable, but not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their cost.

b) Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2021, there were no changes in our internal controls over financial reporting, which were identified in connection with our management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that materially affected, or is reasonably likely to have a materially affect, on our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

There were no disclosures of any information required to be filed on Form 8-K during the three months ended March 31, 2021 that were not filed.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Identification of Directors and Executive Officers and Term of Office

The following table sets forth the names and ages of our current directors and executive officers. Our Board of Directors appoints our executive officers. Each director of the Company serves for a term of one year or until the successor is elected at the Company's annual shareholders' meeting and is qualified, subject to removal by the Company's shareholders. Each officer serves, at the pleasure of the Board of Directors.

Name	Age	Position
Fred W. Wagenhals 7681 E. Gray Road Scottsdale, AZ 85260	79	Chairman of the Board and Chief Executive Officer
Robert D. Wiley 7681 E. Gray Road Scottsdale, AZ 85260	29	Chief Financial Officer
Russell William Wallace, Jr. 7681 E. Gray Road Scottsdale, AZ 85260	64	Director
Harry S. Markley 7681 E. Gray Road Scottsdale, AZ 85260	58	Director
Robert J. Goodmanson 7681 E. Gray Road Scottsdale, AZ 85260	66	Director and President
Jessica M. Lockett 7681 E. Gray Road Scottsdale, AZ 85260	35	Director
Richard R. Childress 7681 E. Gray Road Scottsdale, AZ 85260	75	Director
Steve F. Urvan 7681 E. Gray Road Scottsdale, AZ 85260	55	Director and Employee

Fred W. Wagenhals has been the Chairman of the Board, President, and Chief Executive Officer of our company since December 2016. Mr. Wagenhals was a private investor from August 2005 until December 2016. Mr. Wagenhals served as Chairman, President, and Chief Executive Officer of Action Performance Companies, Inc., a Nasdaq-listed marketer and distributor of licensed motorsports merchandise, from November 1993; Chairman of the Board and Chief Executive Officer from May 1992 until September 1993; and President from July 1993 until September 1993. Action-Performance Companies, Inc. was sold in August 2005 to International Speedway Corp. and Speedway Motorsports. Mr. Wagenhals is a member of the Die-Cast Hall of Fame; was named an Entrepreneur of the Year for the Retail/Wholesale category by the Center for Entrepreneurial leadership Inc.; and received the Anheuser-Bush Entrepreneur in Residence Award at the University of Arizona College of Business and Public Administration.

Robert D. Wiley has been the Chief Financial Officer of our company since January 2019. Mr. Wiley has served as the Controller of the Company since May 2018 and was responsible for our accounting department, including external financing reporting, compliance, accounting policy, and tax accounting. Previously, Mr. Wiley was a Certified Public Accountant at Moss Adams, LLP from June 2015 through April 2018. Mr. Wiley earned his Master of Taxation at Arizona State University. Mr. Wiley also received a Bachelor of Science degree in Accounting from Arizona State University. Mr. Wiley is a Certified Public Accountant licensed in the state of Arizona.

Russell William "Rusty" Wallace, Jr. has been a director of our company since June 2017. Mr. Wallace is the principal shareholder of the Rusty Wallace Automotive Group, a group of eight automotive dealerships located in Eastern Tennessee, and owns

Rusty Wallace Racing, which has fielded entrees in the NASCAR Cup Series. Mr. Wallace competed in NASCAR races for more than 16 years and had 55 victories prior to his retirement in 2005. Mr. Wallace serves as an analyst for ABC and ESPN. He is a member of the NASCAR Hall of Fame, the International Motorsports, Hall of Fame, the Motorsports Press Association Hall of Fame, and the Motorsports Hall of Fame of America.

Harry S. Markley has been a director of our company since March 2018. Mr. Markley served with the Phoenix Police Department for more than 30 years, most recently as Assistant Chief of the Patrol Division from 2013 through 2017 and Commander of the Family Investigations Bureau from 2002 to 2013. Mr. Markley currently serves as the Law Enforcement Senior Advisor for the United States of America Department of Commerce.

Robert J. Goodmanson has been a director of our company since May 2019. On March 26, 2021, Mr. Goodmanson was appointed President of the Company. Mr. Goodmanson has more than 30 years' experience in the investment industry. He is currently employed at Tealwood Asset Management, a fully Registered Investment Advisor in Minneapolis. He founded and was CEO of Maxwell Simon, Inc. a FINRA registered full service Broker-Dealer and a licensed registered Investment Advisory firm. Maxwell Simon's focus was on institutional fixed income, advisory, private and public equity transactions. Prior, Rob held senior positions at Tucker Anthony and Robert W Baird where he was a Divisional Director. For three years he served on the FINRA Board of Governors for District 4 in Kanas City.

Jessica M. Lockett has been a director of our company since December 2020. Ms. Lockett is a corporate and securities law attorney with a focus on representing public and private companies at various stages of development with corporate governance and securities regulations compliance matters, including Securities Act and Exchange Act reporting. Ms. Lockett also has experience in Mergers and Acquisitions, financing, fundraising activities, and going public transactions. Ms. Lockett earned her J.D., cum laude, from Thomas Jefferson School of Law in 2012 and received the CALI and Witkin Awards in Securities Regulations from Cal Western School of Law. Ms. Lockett graduated from the University of Arizona with a Bachelor of Arts in Psychology with a law minor. Ms. Lockett has been an attorney with Lockett + Horwitz, a professional law corporation since 2016, and operated her own legal practice prior to joining the firm. Ms. Lockett is an active member of the State Bar of California.

Richard R. Childress has been a director of our company since January 2021. Mr. **Childress** has owned Richard Childress Racing since 1969 and Childress Vineyards since 2004. In addition to starting Richard Childress Racing, Mr. Childress was a NASCAR driver from 1969 to 1981. Mr. Childress served as the First Vice President of the board of directors of the National Rifle Association (the "NRA") from 2017 to 2019. Mr. Childress was inducted into the NASCAR Hall of Fame in 2017.

Steve F. Urvan has been a director and employee of our company since April 2021. Mr. Urvan has been the Founder and Chief Executive Officer of BitRail, a compliant payments infrastructure, since February of 2018. Mr. Urvan founded Gunbroker.com in 1999 and was the Chief Executive Officer until the April of 2021 when the Company acquired the asset. Mr. Urvan has spent over 20 years as an entrepreneur, advisor, and investor with a passion for building and growing companies across various industries, but always with a focus of technology as a core or enabler. Mr. Urvan remains active in other companies that he founded including Outdoors.com Digital Media, an outdoor lifestyle website, App Cohesion, an e-commerce technology platform, and Gemini Southern, a merchant bank.

Family Relationships

There are no family relationships among our directors and executive officers. The Company's Executive Vice President is the son of our Chief Executive Officer, Fred Wagenhals.

Director Independence and Corporate Governance Matters

Our Board of Directors will periodically review relationships that directors have with the Company to determine whether the directors are independent. Directors are considered "independent" as long as they do not accept any consulting, advisory or other compensatory fee (other than director fees) from the Company, are not an affiliated person of the Company or its subsidiaries (e.g., an officer or a greater-than-ten-percent stockholder) and are independent within the meaning of applicable laws, regulations and the Nasdaq listing rules. In this latter regard, the Board of Directors will use the Nasdaq listing rules (specifically, Section 5605(a)(2) of such rules) as a benchmark for determining which, if any, of its directors are independent, solely in order to comply with applicable SEC disclosure rules. However, this is for disclosure purposes only.

Our Board of Directors has determined, after considering all the relevant facts and circumstances, that Harry S. Markley, Russell W. Wallace Jr., Richard R. Childress, and Jessica M. Lockett are independent directors, as "independence" is defined by the listing standards of Nasdaq, and by the Securities and Exchange Commission, or SEC, because they have no relationship with us that would interfere with their exercise of independent judgment in carrying out their responsibilities as a director. Fred W. Wagenhals, Robert J. Goodmanson and Steve F. Urvan are not "independent" as defined by the listing standards, as they are employed by us and serves as an employee director.

Board Committees

Our bylaws authorize our Board of Directors to appoint from among its members one or more committees consisting of one or more directors. On April 24, 2018, our Board of Directors established an Audit Committee, a Compensation Committee, and a Nominations and Corporate Governance Committee, each consisting entirely of independent directors as “independence” is defined by the SEC.

Committee Charters, Corporate Governance Guidelines, and Codes of Conduct and Ethics

Our Board of Directors has adopted charters for the Audit, Compensation, and Nominations and Corporate Governance Committees describing the authority and responsibilities delegated to each committee by our Board of Directors. Our Board of Directors has also adopted Corporate Governance Guidelines, a Code of Conduct, and a Code of Ethics for the CEO and Senior Financial Officers. We post on our website, at www.ammo-inc.com, the charters of our Audit, Compensation, and Nominations and Corporate Governance Committees; our Corporate Governance Guidelines, Code of Conduct, and Code of Ethics for the CEO and Senior Financial Officers, and any amendments or waivers thereto; and any other corporate governance materials specified by SEC regulations. These documents are also available in print to any stockholder requesting a copy in writing from our Secretary at the address of our executive offices.

The Audit Committee

The purpose of the Audit Committee includes overseeing the accounting and financial reporting processes of our company and audits of the financial statements of our company and providing assistance to our Board of Directors with respect to its oversight of the integrity of our company’s financial statements, our company’s compliance with legal and regulatory requirements, the independent registered public accountant’s qualifications and independence, and the performance of our company’s independent registered public accountant. The primary responsibilities of the Audit Committee are set forth in its charter and include various matters with respect to the oversight of our company’s accounting and financial reporting process and audits of the financial statements of our company on behalf of our Board of Directors. The Audit Committee also selects the independent registered public accountant to conduct the annual audit of the financial statements of our company; reviews the proposed scope of such audit; approves the fees for services provided by the independent registered public accountant, reviews accounting and financial controls of our company with the independent registered public accountant and our financial accounting staff; and reviews and approves any transactions between us and our directors, officers, and their affiliates.

The Audit Committee currently consists of Jessica M. Lockett, Russell W. Wallace Jr, and Richard Childress. Ms. Lockett was appointed to serve as Chair of the Board’s Audit Committee. Ms. Lockett, whose background is detailed in the director biographies on the prior page, qualifies as a “financially sophisticated audit committee member” as defined in the NASDAQ listing standards.

The Compensation Committee

The purpose of the Compensation Committee includes determining, or when appropriate, recommending to our Board of Directors for determination, the compensation of the Chief Executive Officer and other executive officers of our company and discharging the responsibilities of our Board of Directors relating to compensation programs of our company in light of the goals and objectives of our compensation program for that year. As part of its responsibilities, the Compensation Committee evaluates the performance of our Chief Executive Officer and, together with our Chief Executive Officer, assesses the performance of our other executive officers. The Compensation Committee is entitled to delegate its responsibilities to a subcommittee of the Compensation Committee, which complies with the applicable rules and regulations of the Nasdaq Stock Market, the SEC, and other regulatory bodies. From time to time, the Compensation Committee may retain the services of independent compensation consultants to review a wide variety of factors relevant to executive compensation, trends in executive compensation, and the identification of relevant peer companies. The Compensation Committee makes all determinations regarding the engagement, fees, and services of its compensation consultants, and its compensation consultants report directly to the Compensation Committee.

The Compensation Committee currently consists of Russell W. Wallace Jr. and Harry S. Markley.

The Nominations and Corporate Governance Committee

The purpose of the Nominations and Corporate Governance Committee includes the selection or recommendation to our Board of Directors of nominees to stand for election as directors at each election of directors, the oversight of the selection and composition of committees of our Board of Directors, the oversight of the evaluations of our Board of Directors and management, and the development and recommendation to our Board of Directors of a set of corporate governance principles applicable to our company.

The Nominations and Corporate Governance Committee will consider persons recommended by stockholders for inclusion as nominees for election to our Board of Directors if the information required by our bylaws is submitted in writing in a timely manner addressed and delivered to our Secretary at the address of our executive offices. The Nominations and Corporate Governance

Committee identifies and evaluates nominees for our Board of Directors, including nominees recommended by stockholders, based on numerous factors it considers appropriate, some of which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity, and the extent to which the nominee would fill a present need on our Board of Directors.

The Nomination and Corporate Governance Committee currently consists of Harry S. Markley and Jessica Lockett.

Executive Sessions

We regularly schedule executive sessions in which independent directors meet without the presences or participation of management. The chairs of various committees of our Board of Directors serve as the presiding director of such executive sessions on a rotating basis.

Risk Assessment of Compensation Policies and Practices

We have assessed the compensation policies and practices with respect to our employees, including our executive officers, and have concluded that they do not create risks that are reasonably likely to have a material adverse effect on our company.

Board's Role in Risk Oversight

Risk is inherent in every business. As is the case in virtually all businesses, we face a number of risks, including operational, economic, financial, legal, regulatory, and competitive risks. Our management is responsible for the day-to-day management of the risks we face. Our Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management.

In its oversight role, our Board of Directors' involvement in our business strategy and strategic plans plays a key role in its oversight of risk management, its assessment of management's risk appetite, and its determination of the appropriate level of enterprise risk. Our Board of Directors receives updates at least quarterly from senior management and periodically from outside advisors regarding the various risks we face, including operational, economic, financial, legal, regulatory, and competitive risks. Our Board of Directors also reviews the various risks we identify in our filings with the SEC and risks relating to various specific developments, such as acquisitions, debt and equity placements, and new service offerings.

Our board committees assist our Board of Directors in fulfilling its oversight role in certain areas of risk. Pursuant to its charter, the Audit Committee oversees the financial and reporting processes of our company and the audit of the financial statements of our company and provides assistance to our Board of Directors with respect to the oversight and integrity of the financial statements of our company, our company's compliance with legal and regulatory requirements, the independent registered public accountant's qualification and independence, and the performance of our independent registered public accountant. The Compensation Committee considers the risk of our compensation policies and practices and endeavors to assure that it is not reasonably likely that our compensation plans and policies would have a material adverse effect on our company. Our Nominations and Corporate Governance Committee oversees governance related risk, such as board independence, conflicts of interests, and management and succession planning.

Board Diversity

We seek diversity in experience, viewpoint, education, skill, and other individual qualities and attributes to be represented on our Board of Directors. We believe directors should have various qualifications, including individual character and integrity; business experience; leadership ability; strategic planning skills, ability, and experience; requisite knowledge of our industry and finance, accounting, and legal matters; communications and interpersonal skills; and the ability and willingness to devote time to our company. We also believe the skill sets, backgrounds, and qualifications of our directors, taken as a whole, should provide a significant mix of diversity in personal and professional experience, background, viewpoints, perspectives, knowledge, and abilities. Nominees are not to be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability, or any other basis proscribed by law. The assessment of prospective directors is made in the context of the perceived needs of our Board of Directors from time to time.

All of our directors have held high-level positions in business or professional service firms and have experience in dealing with complex issues. We believe that all our directors are individuals of high character and integrity, are able to work well with others, and have committed to devote sufficient time to the business and affairs of our company. In addition to these attributes, the description of each director's background set forth above indicates the specific qualifications, skills, perspectives, and experience necessary to conclude that each individual should continue to serve as a director of our company.

Board Leadership Structure

We believe that effective board leadership structure can depend on the experience, skills, and personal interaction between persons in leadership roles and the needs of our company at any point in time. Our Corporate Governance Guidelines support flexibility in the structure the Board by not requiring the separation of the roles of Chairman of the Board and Chief Executive Officer.

Our Board of Directors currently believes that it is in the best interests of our company to have our Chief Executive Officer also serve as the Chairman of the Board. We believe that our Chairman and Chief Executive Officer provides strong, clear, and unified leadership that is critical in our relationships with our stockholders, employees, customers, suppliers, and other stakeholders. The extensive knowledge of the Chief Executive Officer regarding our operations and industries and the markets in which we compete uniquely positions him to identify strategies and prioritize matters for board review and deliberation. Additionally, we believe the combined role of Chairman and Chief Executive Officer facilitates centralized board leadership in one person, so there is no ambiguity about accountability. The Chief Executive Officer serves as a bridge between management and the Board, ensuring that both groups act with a common purpose. This structure also eliminates conflict between two leaders and minimizes the possibility of two spokespersons sending different messages.

The Board does not believe that combining the position creates significant risks, including any risk that the Chairman and Chief Executive Officer will have excessive or undue influence over the agenda or deliberations of the Board. We believe we have effective and active oversight by experienced independent directors and independent committee chairs, and the independent directors meet together in executive session at virtually every Board meeting.

The Chairman of the Board provides guidance to the Board; facilitates an appropriate schedule for Board meetings; sets the agenda for Board meetings; presides over meetings of the Board; and facilitates the quality, quantity, and timeliness of the flow of information from management that is necessary for the board to effectively and responsibly perform its duties.

The Chief Executive Officer is responsible for the day-to-day leadership of our company and setting our company's strategic direction.

Director and Officer Hedging and Pledging

We have a policy prohibiting directors and officers from purchasing financial instruments (including prepaid forward contracts, equity swaps, collars, and exchange funds) designed to hedge or offset decreases in the market value of compensatory awards of our equity securities directly or indirectly held by them. Additionally, we have a policy prohibiting directors and officers from pledging of shares.

Stock Ownership Guidelines

Our Board of Directors believes that the alignment of directors' interests with those of our stockholders is strengthened when board members are also stockholders. Therefore, our Board of Directors is adopting minimum stock ownership guidelines under which non-employee directors are expected to acquire shares of our Common Stock with a value, at least equal to the annual retainer paid for serving on the Board. Non-employee directors will be expected to satisfy at least the minimum guidelines beginning on the later of five years following (i) the date the guidelines were adopted or (ii) the date the individual becomes a non-employee director. This program is designed to ensure that directors acquire a meaningful ownership interest in our company during their tenure on the Board.

Clawback Policy

We have adopted a clawback policy. In the event we are required to prepare an accounting restatement of our financial results as a result of a material noncompliance by us with any financial reporting requirement under the federal securities laws, we will have the right to use reasonable efforts to recover from any current or former executive officers who received incentive compensation (whether cash or equity) from us during the three-year period preceding the date on which we were required to prepare the accounting restatement, any excess incentive compensation awarded as a result of the misstatement. This policy is administered by the Compensation Committee of our Board of Directors. The policy is effective for financial statements for periods beginning on or after April 1, 2018. Once final rules are adopted by the SEC regarding the clawback requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we will review this policy and make any amendments necessary to comply with the new rules.

Board and Committee Meetings

Our Board of Directors held four formal board meetings and three formal Audit Committee meetings during year ended March 31, 2021. Our Board of Directors held six formal board meetings and three formal Audit Committee meetings during year ended March 31, 2020.

Annual Meeting Attendance

We encourage each of our directors to attend annual meetings of stockholders. To that end, and to the extent reasonably practicable, we will schedule a meeting of our Board of Directors on the same day as our annual meeting of stockholders.

Communications with Directors

Stockholders and other interested parties may communicate with our Board of Directors or specific members of our Board of Directors, including our independent directors and the members of our various board committees, by submitting a letter addressed to the Board of Directors of our company in care of any specified individual director or directors at the address of our executive offices. Any such letters are sent to the indicated directors.

Compliance with Section 16(a) of Exchange Act

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who beneficially own 10% or more of a class of securities registered under Section 12 of the Exchange Act to file reports of beneficial ownership and changes in beneficial ownership with the SEC. Directors, executive officers and greater than 10% stockholders are required by the rules and regulations of the SEC to furnish the Company with copies of all reports filed by them in compliance with Section 16(a). To the Company's knowledge, based solely on a review of reports furnished to it, for the year ended March 31, 2021, all of the Company's officers, directors and ten percent holders have made the required filings other than Mr. Childress' Form 3 upon his appointment to the Board.

Legal Proceedings

During the past ten years, none of our current directors or executive officers has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;
- found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, that has not been reversed, suspended, or vacated;
- subject of, or a party to, any order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of a federal or state securities or commodities law or regulation, law or regulation respecting financial institutions or insurance companies, law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

None of our directors, officers or affiliates, or any beneficial owner of 5% or more of our Common Stock, or any associate of such persons, is an adverse party in any material proceeding to, or has a material interest adverse to, us or any of our subsidiaries.

ITEM 11 EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth for the year ended March 31, 2021, and March 31, 2020, information with respect to compensation for services in all capacities to us and our subsidiaries earned by the Company's Chief Executive Officer and our two most highly compensated executive officers of the Company whose cash compensation exceeded \$100,000. We refer to these executive officers as our "named executive officers."

Name and Principal Position	Period Ended	Salary (1)	Bonus (1)	Stock Awards (2)	Option Awards (2)	Nonequity incentive plan compensation	Nonqualified deferred compensation earnings	All other compensation (3)	Total
Fred W. Wagenhals President, Chief Executive Officer, and Director	3/31/2021	\$240,000	\$96,004	\$157,500	\$ 0	\$ 0	\$ 0	\$ 0	\$493,504
	3/31/2020	\$120,000	\$ 0	\$180,000	\$ 0	\$ 0	\$ 0	\$ 0	\$300,000

Steve Hilko								
Chief Operating Officer(4)								
	3/31/2021	\$163,542	\$ 0	\$ 58,333	\$ 0	\$ 0	\$ 0	\$ 221,875
	3/31/2020	\$120,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,000
Robert D. Wiley								
Chief Financial Officer								
	3/31/2021	\$127,500	\$ 0	\$ 90,977	\$ 0	\$ 0	\$ 0	\$ 218,477
	3/31/2020	\$103,333	\$ 0	\$ 86,794	\$ 0	\$ 0	\$ 0	\$ 190,127

(1) The amounts in this column reflect the amounts earned during the fiscal year, whether or not actually paid during such year.

(2) The amounts in this column reflect the aggregate grant date fair value of options awards granted to our named executive officers during the transition period or fiscal year, as applicable, calculated in accordance with FASB ASC Topic 718. *Stock Compensation*. The valuation assumptions used in determining such amounts are described in the footnotes to our audited consolidated financial statements included in this Annual Report on Form 10-K. The amounts reported in this column reflect our accounting expense for these awards and do not correspond to the actual economic value that may be received by our named executive officers from their option awards.

(3) The named executive officers participate in certain group life, health, disability insurance, and medical reimbursement plans not disclosed in the Summary Compensation Table that are generally available to salaried employees and do not discriminate in scope, terms, and operation.

(4) On June 18, 2021, Mr. Hilko resigned, effective immediately, as our Chief Operating Officer.

Consulting Agreements, Employment Agreements and Other Arrangements

As of March 31, 2021, other than the foregoing as set forth in the Notes to Summary Compensation Table, the Company has no agreement that provides for payment to executive officers at, following, or in connection with the resignation, retirement or other termination, or a change in control of Company or a change in any executive officer's responsibilities following a change in control.

Director Compensation

The following table sets forth, for the year ended March 31, 2021, information with respect to compensation for services in all capacities to us and our subsidiaries earned by our directors, who are not officers, who served during the year ended March 31, 2021.

Name and Principal Position	Fees Earned or Paid		Option Awards (2)	Nonequity incentive plan compensation	Nonqualified deferred compensation earnings	All other compensation (3)	Total
	In Cash (1)	Stock Awards (2)					
Russell William Wallace Jr.	\$ 0	\$70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Harry Markley	\$ 0	\$70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Robert J. Goodmanson	\$90,400	\$70,000	\$ -	\$ -	\$ -	\$ -	\$ 160,400
Jessica M. Lockett (4)	\$12,000	\$17,500	\$ -	\$ -	\$ -	\$ -	\$ 29,500
Richard R. Childress (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Randy E. Luth (6)	\$ 0	\$52,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,500

(1) The amounts in this column reflect the amounts earned during the fiscal year, whether or not actually paid during such year.

(2) The amounts in this column reflect the aggregate grant date fair value of options awards granted to our directors during the transition period or fiscal year, as applicable, calculated in accordance with FASB ASC Topic 718. *Stock Compensation*. The valuation assumptions used in determining such amounts are described in the footnotes to our audited consolidated financial statements included in our Transition Report on Form 10-K for year ended March 31, 2021. The amounts reported in this column reflect our accounting expense for these awards and do not correspond to the actual economic value that may be received by our named executive officers from their option awards.

(3) We make an annual grant to each director of 40,000 shares of our Common Stock. We reimburse all officers and directors for reasonable and necessary expenses incurred in their capacities as such. The named directors do not participate in certain group life,

health, disability insurance, and medical reimbursement plans not disclosed in the Summary Compensation Table that are generally available to salaried employees and do not discriminate in scope, terms, and operation.

(4) Ms. Lockett was appointed as a member of the Board of Directors on December 14, 2020

(5) Mr. Childress was appointed as a member of the Board of Directors on January 19, 2021.

(6) Mr. Luth resigned as a member of the Board of Directors on January 19, 2021.

Outstanding Equity Awards at Fiscal Year-end

As of March 31, 2021 and March 31, 2020, there were no outstanding stock options or restricted stock units. During the years ended March 31, 2021 and March 31, 2020, we did not grant any restricted stock units or stock options but granted restricted stock to directors, officers, and others who provided services to our company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of June 25, 2021, the number of shares of Common Stock owned of record and beneficially by our executive officers and directors. Other than two members of the Board, there are no persons who hold 5% or more of the outstanding shares of Common Stock of the Company.

The amounts and percentages of our Common Stock beneficially owned are reported on the basis of SEC rules governing the determination of beneficial ownership of securities. Under the SEC rules, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or to direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days through the exercise of any stock option, warrant or other right. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Unless otherwise indicated, each of the shareholders named in the table below, or his or her family members, has sole voting and investment power with respect to such shares of our Common Stock. Except as otherwise indicated, the address of each of the shareholders listed below is: c/o AMMO, Inc., 7681 East Gray Road, Scottsdale, Arizona 85260.

In computing the number of shares of Common Stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of Common Stock as held by that person or entity that are currently exercisable or that will become exercisable within 60 days of June 25, 2021.

Name and Address of Beneficial Owner	Common Stock Owned Beneficially	Percent of Class (1)
<i>Named Executive Officers and Directors</i>		
Fred W. Wagenhals (2)	7,126,700	6.4%
Robert J. Goodmanson	80,000	*
Robert D. Wiley	116,655	*
Russell William Wallace, Jr.	440,000	*
Harry S. Markley	120,000	*
Jessica M. Lockett	10,000	*
Richard R. Childress	100,000	*
Steve F. Urvan	18,500,000	16.5%
All directors and officers as a group (8 persons)	26,493,355	23.7%

* Less than 1%

(1) Based on 111,810,223 shares of Common Stock outstanding as of June 25, 2021.

(2) Mr. Wagenhals owns a total of 7,126,700 shares of Common Stock, 6,976,700 shares are held directly and 150,000 indirectly by the Fred W. Wagenhals Trust

Changes in Control

Two of our stockholders own 25,626,700, or 22.9% of our outstanding shares of Common Stock. The principal stockholders both serve as directors and one of them is an executive officer while the other is an employee. They exercise significance influence over the control of our Company and may be able to cause or prevent a change in control.

Equity Incentive Plan

In November 2017, the Board of Directors approved the 2017 Equity Incentive Plan, or the Plan. Under the Plan, 485,000 shares of our company's Common Stock were reserved and authorized to be issued. At December 31, 2017, 200,000 shares of Common Stock were approved and issued under the Plan, and we recognized approximately \$250,000 of related compensation expenses. On January 10, 2018, 200,000 shares were awarded, and we recognized \$330,000 of compensation expense. On December 23, 2020, the Company amended the 2017 Equity Incentive Plan to reserve and authorize an additional 4,515,000 shares of its Common Stock to be issued. There were 3,559,170 and 85,000 shares remaining to be issued under the plan at March 31, 2021 and 2020.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

During the year ended March 31, 2021, we paid \$152,549 in service fees to an independent contractor and 60,000 shares in the aggregate to its advisory committee members for service for a total value of \$103,000.

During the year ended March 31, 2020, we paid \$184,575 in service fees to an independent contractor, \$6,500 in consulting fees to our previous Chief Financial Officer, and 60,000 shares in the aggregate to its advisory committee members for service for a total value of \$113,000. Additionally, at March 31, 2020, the Company had a receivable of approximately, \$14,700 from its previous Chief Financial Officer.

In connection with the acquisition of the casing division of JSC, a promissory note was executed. JSC owned at least five percent (5%) of our shares outstanding from March 2019 through March 16, 2021. On April 30, 2019, the note was subsequently extended to April 1, 2020. The note bears interest per annum at approximately 4.6% payable in arrears monthly. On June 26, 2020, the Company extended the promissory note until August 15, 2021. As of March 31, 2020, we accrued interest of \$352,157 related to the note. The note had a balance of \$5,400,000 at March 31, 2020 and the note was paid in full on November 5, 2020.

In October of 2019, it was made apparent that certain equipment that was agreed to be delivered free and clear by the Seller was not achievable as Seller was not able to purchase equipment that Seller had leased. Accordingly, the remaining value of the promissory note was reduced by \$2,596,200. As a result of the change to the purchase price of the transaction, the Company reduced Equipment for a net value of \$1,871,306, decreased Other Intangible Assets by \$766,068, increased Accounts Receivable by \$31,924, and recorded an increase to Deposits for \$9,250 worth of equipment that the Company agreed to transfer back to Seller. Consequently, accumulated amortization has decreased by \$159,530. Additionally, the Company entered into a lease to gain possession of the assets that were originally to be transferred.

Through the Administrative and Management Services Agreement the Company with JSC, the Company purchased approximately \$3.4 million in inventory support services, and incurred \$405,171 of rent expenses for the year ended March 31, 2021. For the year ended March 31, 2021, the Company purchased approximately \$1.9 million in Inventory, incurred \$394,128 of rent expenses, and incurred \$153,604 of expenses related to support costs such as engineering and maintenance, among others.

On June 26, 2021, the Company and JSC entered into a Settlement Agreement pursuant to which the parties mutually agreed to settle all disputes and mutually release each other from liabilities related to the Amended APA occurring prior to June 26, 2020. Pursuant to the Settlement Agreement, the Company shall pay JSC \$1,269,977 and shall provide JSC with: (i) two new promissory notes, a note of \$5,803,800 related to the Seller Note and note of \$2,635,797 for inventory and services, both with a maturity date of August 15, 2021, (ii) general business security agreements granting JSC a security interest in all personal property of the Company. Pursuant to the Notes, the Company is obligated to make monthly payments totaling \$204,295 to JSC. In addition, the Notes have a mandatory prepayment provision that comes into effect if the Company conducts a publicly registered offering. Pursuant to such provision, the Company: (a) upon the closing of an Offering of less than \$10,000,000 would be obligated to pay the lesser of ninety percent (90%) of the Offering proceeds or seventy (70%) of the then aggregate outstanding balance of the Notes; and (b) upon the closing of an Offering of more than \$10,000,000 would be obligated to pay one hundred percent (100%) of the then aggregate outstanding balance of the Notes. The Company was granted an option to repurchase up to 1,000,000 of the shares of Common Stock issued to JSC under the Amended APA at a price of \$1.50 per share through April 1, 2021 so long as there are no defaults under the Settlement Agreement.

On November 5, 2020, the Company paid \$6,000,000 to JSC allocated as follows: (i) payment in full of Note A, representing the balance due from the Company to JSC relating to the acquisition of Jagemann Munition Components in March 2019 and (ii) \$592,982 remitted in partial payment of Note B, resulting in the parties' execution of Amended Note B which has a starting principal balance of \$1,687,664 ("Amended Note B"). The Amended Note B principal balance carries a 9% per annum interest rate and is amortized equally over the thirty six (36) month term. As a result of the payment in full of Note A JSC shall release the accompanying security interest in Company assets which secured Note A. Concurrently, upon entry into Amended Note B, JSC and the Company entered into the First Amendment to General Business Security Agreement to reflect a revised list of collateral in which JSC has a

security interest. The total interest expense recognized on Note A \$216,160 for the year ended March 31, 2021. The total interest expense recognized on the original Note B was \$62,876 for the year ended March 31, 2021.

The Company's balance of Amended Note B was \$1,490,918 at March 31, 2021. The Company recognized \$60,100 in interest expense on Amended Note B for the year ended March 31, 2021.

On January 22, 2021, the Company repurchased 1,000,000 shares of the Common Stock issued to JSC at a price of \$1.50 per share pursuant to the Amended APA and subsequently cancelled the total purchased shares.

On May 3, 2019, the Company entered into a promissory note of \$375,000 with a shareholder of the Company. The original interest rate was the applicable LIBOR Rate. The promissory note was amended and the note's original a maturity date of August 3, 2019 was extended to September 18, 2020. The amended note bears interest at 1.25% per month. The Company made \$18,195 in principal payments during year ended March 2021 and the Note was paid in full in July of 2020. We recognized \$10,327 of interest expenses related to the note during the year ended March 31, 2021.

In December of 2019, the Company entered into a Promissory Note of \$90,000 with Fred Wagenhals, the Company's Chief Executive Officer and Chairman of the Board of Directors. The Note originally matured on June 12, 2020, and had an interest rate at the applicable LIBOR Rate. The promissory note has since been amended and the amended maturity date is September 18, 2020. The Company made \$25,000 in principal payments during the year ended March 31, 2021, and the Note was paid in full in July of 2020. The amended note bears interest at 1.25% per month. We recognized \$5,350 of interest expense on the note for the year ended March 31, 2021.

On September 23, 2020, the Company and Enlight entered into a promissory note (the "Forest Street Note") with Forest Street, LLC ("Lender"), an Arizona limited liability company wholly owned by our current Chief Executive Officer, Fred Wagenhals, for the principal sum of \$3.5 million, which accrues interest at 12% per annum. The Note has a maturity date of September 23, 2022.

Pursuant to the terms of the Forest Street Note, the Company and Enlight (collectively, the borrower pursuant to the note) shall pay Lender; (i) on a monthly basis, beginning October 23, 2020, all accrued interest (only), (ii) on a quarterly basis, a monitoring fee of 1% of the principal amount and then accrued interest; and (iii) on the maturity date, the remaining outstanding principal balance of the Loan, together with all unpaid accrued interest thereon.

On December 14, 2020, the Company entered into a Debt Conversion Agreement with the Lender. Pursuant to the Agreement, the Company and Forest Street agreed to convert \$2,100,000 of the Note's principal into 1,000,000 shares of the Common Stock. The share issuance occurred on December 15, 2020. As a result of the Debt Conversion Agreement the remaining balance of the Forest Street Note was \$1,400,000. On January 14, 2021, the Company paid the remaining \$1,400,000 in principal and accrued interest of the Forest Street Note. The Company recognized \$137,666 in interest expense related to the Forest Street Note for the year ended March 31, 2021.

Other than the foregoing, none of the directors or executive officers of the Company, nor any person who owned of record or was known to own beneficially more than 5% of the Company's outstanding shares of its Common Stock, nor any associate or affiliate of such persons or companies, has any material interest, direct or indirect, in any transaction that has occurred during the past fiscal year, or in any proposed transaction, which has materially affected or will affect the Company.

With regard to any future related party transaction, we plan to fully disclose any and all related party transactions in the following manner:

- Disclosing such transactions in reports where required;
- Disclosing in any and all filings with the SEC, where required;
- Obtaining disinterested director consent; and
- Obtaining shareholder consent where required.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

On April 22, 2020, the Audit Committee engaged Marcum LLP ("Marcum") to complete an annual audit of the Company's financial statements for the fiscal year ended March 31, 2020. Marcum did not perform any services prior to April 22, 2020. The Company's previous auditor KWCO, PC was dismissed on April 22, 2020.

Effective April 8, 2021, we dismissed Marcum as the Company's independent registered public accounting firm.

Effective April 8, 2021, the Company engaged Pannell Kerr Forster of Texas, P.C. (“PKF”) as the Company’s new independent registered public accounting firm. The decision to change accountants was approved by the Company’s Audit Committee and Board of Directors.

The following is the breakdown of aggregate fees for the last two fiscal years.

	2021	2020
Audit Fees	\$ 183,879	\$ 216,422
Audit Related Fees	133,643	-
Tax Fees	-	-
All Other Fees	92,700	-
	<u>\$ 410,222</u>	<u>\$ 216,422</u>

It is our policy to engage the principal accounting firm to conduct the financial audit for our company and to confirm prior to such engagement, that such principal accounting firm is independent of our company when required by SEC rules and regulations. All services of the principal accounting firm reflected above were approved by the Board of Directors.

- “Audit Fees” are fees paid for professional services for the audit of our financial statements.

- “Audit-Related fees” are fees paid for professional services not included in the first category, specifically, SAS 100 reviews, SEC filings and consents, and accounting consultations on matters addressed during the audit or interim reviews, and review work related to quarterly filings.

- “Tax Fees” are fees primarily for tax compliance in connection with filing US income tax returns.

- “All other fees” related to the reviews of Registration Statements on Form S-1

Audit Committee Pre-Approval Policies

The charter of our Audit Committee provides that the duties and responsibilities of our Audit Committee include the pre-approval of all audit, audit-related, tax, and other services permitted by law or applicable SEC regulations (including fee and cost ranges) to be performed by our independent registered public accountant. Any pre-approved services that will involve fees or costs exceeding pre-approved levels will also require specific pre-approval by the Audit Committee. Unless otherwise specified by the Audit Committee in pre-approving a service, the pre-approval will be effective for the 12-month period following pre-approval. The Audit Committee will not approve any non-audit services prohibited by applicable SEC regulations or any services in connection with a transaction initially recommended by the independent registered public accountant, the purpose of which may be tax avoidance and the tax treatment of which may not be supported by the Code and related regulations.

To the extent deemed appropriate, the Audit Committee may delegate pre-approval authority to the Chairman of the Audit Committee or any one or more other members of the Audit Committee provided that any member of the Audit Committee who has exercised any such delegation must report any such pre-approval decision to the Audit Committee at its next scheduled meeting. The Audit Committee will not delegate the pre-approval of services to be performed by the independent registered public accountant to management.

Our Audit Committee requires that the independent registered public accountant, in conjunction with our Chief Financial Officer, be responsible for seeking pre-approval for providing services to us and that any request for pre-approval must inform the Audit Committee about each service to be provided and must provide detail as to the particular service to be provided.

All of the services provided above under the caption “Audit-Related Fees” were approved by our Board of Directors or by our Audit Committee pursuant to our Audit Committee’s pre-approval policies.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) **Financial Statements and Financial Statement Schedules are set forth under Part II, Item 8 of this report.**

(b) **Exhibits**

Other Schedules are committed because they are not applicable, not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

Exhibit Number	Exhibit Description	Reference		Filed or Furnished	
		Form	Exhibit	Filing Date	Herewith
3.1	<u>Certificate of Incorporation (Amended and Restated) filed with the Delaware Secretary of State on October 24, 2018</u>	8-K	3.1	10/26/2018	
3.2	<u>Bylaws</u>	8-K	3.03	02/09/2017	
3.3	<u>Certificate of Designations with respect to the 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, par value \$0.001 per share, dated May 18, 2021</u>	8-A	3.1	5/20/2020	
4.1	<u>Form of Warrant dated January 25, 2017</u>	S-1	4.1	07/06/2018	
4.2	<u>Form of Warrant dated January 3, 2018</u>	S-1	4.2	07/06/2018	
4.3	<u>Form of Purchase Warrant with Paulson Investment Company, LLC dated April 20, 2018</u>	S-1	4.3	07/06/2018	
4.4	<u>Form of Warrant dated December 28, 2018</u>	10-K	4.4	07/01/2019	
4.5	<u>Form of Certificate of Common Stock</u>	S-1/A	4.4	10/16/2018	
4.6	<u>Form of Gunnar Convertible Promissory Note, issued January 2020</u>	10-Q	10.2	02/13/2020	
4.7	<u>Form of Gunnar Investor Warrant, issued January 2020</u>	10-Q	10.3	02/13/2020	
4.8	<u>Compilation of Settlement Agreement and Promissory Notes with Jagemann Stamping Company dated June 26, 2020</u>	10-K	10.7	8/19/2020	
4.9	<u>Promissory Note with Forest Street LLC, an Arizona limited liability company</u>	8-K	4.1	09/29/2020	
4.10	<u>Promissory Note with Linda Kay dated November 5, 2020</u>	10-Q	4.1	11/13/2020	
4.11	<u>Form of Convertible Promissory Note dated November 5, 2020</u>	10-Q	4.2	11/13/2020	
4.12	<u>Compilation of JSC Agreements dated November 4, 2020</u>	10-Q	4.3	11/13/2020	
4.13	<u>Form of Underwriters' Warrant Agreement issued December 3, 2020</u>	8-K	4.1	12/4/2020	
4.14	<u>Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.</u>				X
10.1+	<u>2017 Equity Incentive Plan, as amended</u>	S-8	4.1	12/23/2020	
10.2	<u>Debt Conversion Agreement dated December 14, 2020</u>	8-K	10.1	12/17/2020	
10.3	<u>Compilation of TE Agreements</u>	S-3	10.3	2/5/2021	
10.4	<u>First Amended and Restated Factoring and Security Agreement, as amended, by and between Ammo, Inc. and Factors Southwest, LLC</u>	8-K	10.1	3/11/2021	
10.5	<u>Revolving Inventory Loan and Security Agreement, as amended, by and between Ammo, Inc. and Factors Southwest, LLC</u>	8-K	10.2	3/11/2021	
10.6	<u>Amended and Restated Exclusive License Agreement between AMMO Technologies Inc. and University of Louisiana at Lafayette, dated as of November 16, 2017</u>	8-K	10.1	3/26/2021	
10.7+	<u>Employment Agreement of Fred Wagenhals</u>				X
10.8+	<u>Employment Agreement of Robert D. Wiley</u>				X
10.9+	<u>Employment Agreement of Rob J. Goodmanson</u>				X
21.1	<u>Subsidiaries of the Company</u>				X
23.1	<u>Consent of Pannell Kerr Forster of Texas, P.C Independent Registered Account Firm Relating to Consolidated Financial Statements of the Company for the year ended March 31, 2021</u>				X

23.2	<u>Consent of Marcum, LLP Independent Registered Account Firm Relating to Consolidated Financial Statements of the Company for the year ended March 31, 2020</u>	X
31.1	<u>Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	X
31.2	<u>Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	X
32.1*	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	X
32.2*	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema Document	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X

+ Management compensatory plan or contract.

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMMO, INC.

Dated: June 29, 2021

By: /s/ Fred W. Wagenhals

Fred W. Wagenhals, Chief Executive Officer

Dated: June 29, 2021

By: /s/ Robert D. Wiley

Robert D. Wiley, Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant and in the capacities and on the dates indicated have signed this report below.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Fred W. Wagenhals</u> Fred W. Wagenhals	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	June 29, 2021
<u>/s/ Robert D. Wiley</u> Robert D. Wiley	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	June 29, 2021
<u>/s/ Robert J. Goodmanson</u> Robert J. Goodmanson	President and Director	June 29, 2021
<u>/s/ Russell W. Wallace Jr.</u> Russell W. Wallace, Jr.	Director	June 29, 2021
<u>/s/ Richard Childress</u> Richard Childress	Director	June 29, 2021
<u>/s/ Harry Markley</u> Harry Markley	Director	June 29, 2021
<u>/s/ Jessica M. Lockett</u> Jessica M. Lockett	Director	June 29, 2021
<u>/s/ Steven F. Urvan</u> Steven F. Urvan	Director	June 29, 2021

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<u>Report of Marcum, LLP</u>	F-3
<u>Consolidated Balance Sheets as of March 31, 2021 and March 31, 2020</u>	F-4
<u>Consolidated Statements of Operations for the year ended March 31, 2021 and March 31, 2020</u>	F-5
<u>Consolidated Statements of Stockholders' Equity for the year ended March 31, 2021, and March 31, 2020</u>	F-6
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
AMMO, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AMMO, Inc. and Subsidiaries (the “Company”) as of March 31, 2021, the related consolidated statements of operations, stockholders’ equity and cash flows for the year ended March 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021, and the results of its operations and its cash flows for the year ended March 31, 2021, in conformity with U. S. Generally Accepted Accounting Principles.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (i) related to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Financing Transactions

As described in Notes 8, 9 and 12 to the financial statements, the Company entered into various debt and equity financing transactions during the year ended March 31, 2021, certain of which had various conversion features, warrants, contingent beneficial conversion features and other subjective measures.

We identified these transactions as a critical audit matter primarily because of the judgment involved in management’s analysis of the accounting as well as the degree of subjectivity in evaluating audit evidence.

Our testing procedures to address this critical audit matter included, among others, the following:

- evaluating the methodologies and assumptions used by management in its analysis of the transactions;
- verifying the information used to compile the accounting entries to the underlying agreements;
- testing the mathematical accuracy of management’s calculations; and
- evaluating the reasonableness of values assigned to equity instruments.

/s/ PANNELL KERR FORSTER OF TEXAS, P.C.

We have served as the Company’s auditor since 2021.

Houston, TX
June 29, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
AMMO, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AMMO, Inc. and Subsidiaries (the "Company") as of March 31, 2020, the related consolidated statements of operations, stockholders' equity and cash flows for the year ended March 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations and its cash flows for the year ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

Adoption of New Accounting Standards

ASU No. 2016-02

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended, effective January 1, 2019, using the modified retrospective approach.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2020.

New York, NY
August 19, 2020

AMMO, Inc.
CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
ASSETS		
Current Assets:		
Cash	\$ 118,341,471	\$ 884,274
Accounts receivable, net of allowance for doubtful account of \$148,540 at March 31, 2021 and \$62,248 at March 31, 2020	8,993,920	3,004,839
Due from related parties	15,657	15,807
Inventories, at lower of cost or net realizable value, principally average cost method	15,866,918	4,408,073
Prepaid expenses	2,402,366	844,117
Total Current Assets	<u>145,620,332</u>	<u>9,157,110</u>
Equipment, net	21,553,226	18,046,329
Other Assets:		
Deposits	1,833,429	216,571
Licensing agreements, net	41,667	91,667
Patents, net	6,019,567	6,512,909
Other intangible assets, net	2,220,958	3,649,404
Right of use assets - operating leases	2,090,162	3,431,746
TOTAL ASSETS	<u>\$ 179,379,341</u>	<u>\$ 41,105,736</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 4,371,974	\$ 5,197,354
Factoring liability	1,842,188	2,005,979
Accrued liabilities	3,462,785	1,619,619
Inventory credit facility	1,091,098	-
Current portion of operating lease liability	663,784	375,813
Current portion of note payable related party	625,147	-
Insurance premium note payable	41,517	329,724
Note payable related party	-	434,731
Convertible promissory notes, net of note issuance costs of \$237,611 at March 31, 2020	-	2,262,389
Total Current Liabilities	<u>12,098,493</u>	<u>12,225,609</u>
Long-term Liabilities:		
Contingent consideration payable	589,892	709,623
Notes payable related party	865,771	5,803,800
Note payable	4,000,000	-
Operating lease liability, net of current portion	1,477,656	3,107,911
Total Liabilities	<u>19,031,812</u>	<u>21,846,943</u>
Shareholders' Equity:		
Common stock, \$0.001 par value, 200,000,000 shares authorized 93,099,067 and 46,204,139 shares issued and outstanding at March 31, 2021 and March 31, 2020, respectively	93,100	46,204
Additional paid-in capital	202,073,968	53,219,834
Accumulated deficit	(41,819,539)	(34,007,245)
Total Shareholders' Equity	<u>160,347,529</u>	<u>19,258,793</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 179,379,341</u>	<u>\$ 41,105,736</u>

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

AMMO, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended	
	March 31,	
	2021	2020
Net Sales		
Ammunition sales	\$ 49,620,530	\$ 6,591,196
Casing sales	12,861,800	8,189,169
	<u>62,482,330</u>	<u>14,780,365</u>
Cost of Goods Sold, for the years ended March 31, 2021 and 2020 includes depreciation and amortization of \$3,217,513 and \$2,856,471, respectively, and federal excise taxes of \$4,286,258 and \$643,735, respectively	51,095,679	18,455,904
Gross Margin	11,386,651	(3,675,539)
Operating Expenses		
Selling and marketing	1,879,128	1,192,010
Corporate general and administrative	7,191,544	3,731,913
Employee salaries and related expenses	5,036,721	3,638,540
Depreciation and amortization expense	1,659,243	1,599,491
Loss on purchase	1,000,000	-
Total operating expenses	<u>16,766,636</u>	<u>10,161,954</u>
Loss from Operations	(5,379,985)	(13,837,493)
Other Expenses		
Other income	576,785	-
Interest expense	(3,009,094)	(719,187)
Total other expenses	<u>(2,432,309)</u>	<u>(719,187)</u>
Loss before Income Taxes	(7,812,294)	(14,556,680)
Provision for Income Taxes	-	-
Net Loss	<u>\$ (7,812,294)</u>	<u>\$ (14,556,680)</u>
Loss per share		
Basic and fully diluted:		
Weighted average number of shares outstanding	<u>55,041,502</u>	<u>45,607,937</u>
Loss per share	<u>\$ (0.14)</u>	<u>\$ (0.32)</u>

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

Ammo, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	<u>Common Shares</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Number</u>	<u>Par Value</u>	<u>Paid-In</u>	<u>(Deficit)</u>	
Balance as of March 31, 2019	<u>44,013,075</u>	<u>\$ 44,013</u>	<u>\$ 48,935,485</u>	<u>\$ (19,450,565)</u>	<u>\$ 29,528,933</u>
Common stock issued for cash	1,232,770	1,233	2,464,307	-	2,465,540
Common stock issued for convertible notes	127,291	127	318,099	-	318,226
Common stock issuance costs	-	-	(285,981)	-	(285,981)
Common stock issued for services	170,504	170	352,130	-	352,300
Employee stock awards	660,499	661	900,865	-	901,526
Stock grants	-	-	534,929	-	534,929
Net loss	-	-	-	(14,556,680)	(14,556,680)
Balance as of March 31, 2020	<u>46,204,139</u>	<u>\$ 46,204</u>	<u>\$ 53,219,834</u>	<u>\$ (34,007,245)</u>	<u>\$ 19,258,793</u>
Common stock issued for cash	34,536,143	34,537	138,578,082	-	138,612,619
Common stock issued for convertible notes	3,145,481	3,145	4,828,061	-	4,831,206
Common stock issued for exercised warrants	6,521,563	6,522	13,945,814	-	13,952,336
Common stock issued for debt conversion	1,000,000	1,000	2,099,000	-	2,100,000
Common stock issued for cashless warrant exercise	732,974	733	(733)	-	-
Common stock issuance costs	-	-	(13,847,069)	-	(13,847,069)
Common stock issued for services	943,336	943	1,706,557	-	1,707,500
Employee stock awards	1,016,331	1,016	1,449,343	-	1,450,359
Stock grants	-	-	278,585	-	278,585
Issuance of warrants for convertible notes	-	-	1,315,494	-	1,315,494
Common stock repurchase and cancellation	(1,000,000)	(1,000)	(1,499,000)	-	(1,500,000)
Net loss	-	-	-	(7,812,294)	(7,812,294)
Balance as of March 31, 2021	<u>93,099,967</u>	<u>\$ 93,100</u>	<u>\$202,073,968</u>	<u>\$ (41,819,539)</u>	<u>\$</u>
160,347,529					

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

Ammo, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOW

**For the Year Ended
March 31,**

	2021	2020
Cash flows from operating activities:		
Net Loss	\$ (7,812,294)	\$ (14,556,680)
Adjustments to reconcile Net Loss to Net Cash used in operations:		
Depreciation and amortization	4,876,756	4,455,962
Debt discount amortization	446,466	115,533
Employee stock awards	1,450,359	901,526
Stock grants	278,585	534,929
Stock for services	1,707,500	352,300
Contingent consideration payable fair value	(119,731)	(190,377)
Interest on convertible promissory notes	163,351	-
Allowance for doubtful accounts	86,292	(67,117)
Paycheck protection program note forgiveness	(1,051,985)	-
Loss on disposal of assets	25,400	-
Stock issued in lieu of cash payments	48,000	-
Reduction in right of use asset	443,739	381,140
Loss on Jagemann Munition Components	1,000,000	-
Stock and warrants for note conversion	1,315,494	-
Changes in Current Assets and Liabilities		
Accounts receivable	(6,075,373)	(1,679,887)
Due to (from) related parties	150	3,758
Inventories	(11,458,845)	364,524
Prepaid expenses	(1,331,710)	148,982
Deposits	(1,616,858)	(178,287)
Accounts payable	1,810,417	3,277,010
Accrued liabilities	1,843,166	1,106,411
Operating lease liability	(444,439)	(329,162)
Net cash used in operating activities	<u>(14,415,560)</u>	<u>(5,359,435)</u>
Cash flows from investing activities		
Purchase of equipment	(7,437,265)	(462,385)
Net cash used in investing activities	<u>(7,437,265)</u>	<u>(462,385)</u>
Cash flow from financing activities		
Proceeds from inventory facility	1,091,098	-
Proceeds from factoring liability, net	40,309,292	9,747,281
Payments on factoring liability	(40,473,083)	(7,741,302)
Proceeds from paycheck protection program notes	1,051,985	-
Proceeds from note payable related party issued	3,500,000	819,731
Payments on note payable - related party	(8,783,410)	(1,885,000)
Payments on insurance premium note payment	(514,746)	(466,421)
Proceeds from note payable	4,000,000	-
Proceeds from convertible promissory notes	1,959,000	2,171,000

(Continued)

Ammo, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOW

**For the Year Ended
March 31,**

	<u>2021</u>	<u>2020</u>
Sale of common stock	138,612,619	2,465,540
Common stock issued for exercised warrants	13,952,336	-
Common stock issuance costs	(13,895,069)	(285,981)
Payments on common stock repurchase and cancellation	(1,500,000)	-
Contingent consideration payment	-	(300,000)
Net cash provided by financing activities	<u>139,310,022</u>	<u>4,524,848</u>
Net increase/(decrease) in cash	117,457,197	(1,296,972)
Cash, beginning of period	884,274	2,181,246
Cash, end of period	<u>\$ 118,341,471</u>	<u>\$ 884,274</u>
Supplemental cash flow disclosures		
Cash paid during the period for:		
Interest	<u>\$ 1,186,302</u>	<u>\$ 531,274</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
Accounts payable	(2,635,797)	-
Note payable related party	2,635,797	-
Right of use assets - operating leases	(897,845)	(3,771,873)
Operating lease liability	897,845	3,812,886
Rent Expense	-	(41,013)
Insurance premium note payment	226,539	565,548
Prepaid expenses	(226,539)	(565,548)
Convertible promissory note	(4,459,000)	-
Note issuance costs	(208,855)	-
Convertible promissory note conversion	4,667,855	318,226
Convertible promissory note	-	(318,226)
Note payable related party conversion	2,100,000	-
Note payable related party	(2,100,000)	(2,596,200)
Accounts receivable	-	(31,924)
Deposits	-	(9,250)
Equipment	-	1,871,306
Other intangible assets	-	766,068
Stock subscription receivable	(664,975)	-
Common stock	310	-
Additional paid-in capital	664,665	-
	<u>\$ -</u>	<u>\$ -</u>

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

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and March 31, 2020

NOTE 1 – ORGANIZATION AND BUSINESS ACTIVITY

We were formed under the name Retrospektiva, Inc. in November 1990 to manufacture and import textile products, including both finished garments and fabrics. We were inactive until the following series of events in December 2016 and March 2017.

On December 15, 2016, the Company's majority shareholders sold 475,681 (11,891,976 pre-split) of their outstanding shares to Mr. Fred W. Wagenhals ("Mr. Wagenhals") resulting in a change in control of the Company. Mr. Wagenhals was appointed as sole officer and the sole member of the Company's Board of Directors.

The Company also approved (i) doing business in the name AMMO, Inc., (ii) a change to the Company's OTC trading symbol to POWW, (iii) an agreement and plan of merger to re-domicile and change the Company's state of incorporation from California to Delaware, and (iv) a 1-for-25 reverse stock split ("Reverse Split") of the issued and outstanding shares of the common stock of the Company. As a result of the reverse split, the previous issued and outstanding shares of common stock became 580,052 shares; no shareholder was reversed below 100 shares, and all fractional shares resulting from the reverse split were rounded up to the next whole share. All references to the outstanding stock have been retrospectively adjusted to reflect this split. These transactions were effective as of December 30, 2016.

On March 17, 2017, the Company entered into a definitive agreement with AMMO, Inc. a Delaware Corporation (PRIVCO) under which the Company acquired all of the outstanding shares of common stock of (PRIVCO). Under the terms of the Agreement, the Company issued 17,285,800 newly issued shares of common stock of the Company. In connection with this transaction the Company retired 475,681 shares of common stock and issued 500,000 shares of common stock to satisfy an issuance commitment. The acquisition was considered to be a capital transaction. The transaction was the equivalent to the issuance by PRIVCO of 604,371 shares to the Company's shareholders accompanied by a recapitalization. The weighted average number of outstanding shares has been adjusted for this transaction. (PRIVCO) subsequently changes its name to AMMO Munitions, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of AMMO, Inc. and its wholly owned subsidiaries, Enlight Group II, LLC (d/b/a Jagemann Muniton Components), SNI, LLC, AMMO Munitions, Inc., AMMO Technologies, Inc. (inactive) and Firelight Group I, LLC (inactive). All significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires us to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made in preparing the consolidated financial statements include the valuation of allowances for doubtful accounts, valuation of deferred tax assets, inventories, useful lives of assets, intangible assets, and stock-based compensation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, we consider highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Our accounts receivable represents amounts due from customers for products sold and include an allowance for uncollectible accounts which is estimated based on the aging of the accounts receivable and specific identification of uncollectible accounts. At March 31, 2021 and March 31, 2020, we reserved \$148,540 and \$62,248, respectively, of allowance for doubtful accounts.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and March 31, 2020

License Agreements

We are a party to a license agreement with Jesse James, a well-known motorcycle designer, and Jesse James Firearms, LLC, a Texas limited liability company. The license agreement grants us the exclusive worldwide rights through October 15, 2021 to Mr. James' image rights and trademarks associated with him in connection with the marketing, promotion, advertising, sale, and commercial exploitation of Jesse James Branded Products. In addition, Mr. James agreed to make himself available for certain promotional activities and to promote Jesse James Branded Products through his own social media outlets. We agreed to pay Mr. James royalty fees on the sale of ammunition and non-ammunition Branded Products and to reimburse him for any out-of-pocket expenses and reasonable travel expenses. We also issued 100,000 shares of our common stock upon the execution of the license agreement with the potential issuance of up to 75,000 additional shares of common stock upon achieving certain gross sales with \$15 million in gross sales required to earn the entire 75,000 shares.

We are a party to a license agreement with Jeff Rann, a well-known wild game hunter and spokesman for the firearm and ammunition industries. The license agreement grants us through February 2022 the exclusive worldwide rights to Mr. Rann's image rights and trademarks associated with him in connection with the marketing, promotion, advertising, sale, and commercial exploitation of all Jeff Rann Branded Products. Mr. Rann agreed to make himself available for certain promotional activities and to promote the Branded Products through his own social media outlets. We agreed to pay Mr. Rann royalty fees on the sale of ammunition and non-ammunition Branded Products and to reimburse him for any out-of-pocket expenses and reasonable travel expenses. We also issued 100,000 shares of our common stock upon the execution of the license agreement with the potential issuance of 75,000 additional shares of common stock upon achieving certain gross sales with \$15 million in gross sales required to earn the entire 75,000 shares.

Amortization expense for the license agreements for the years ended March 31, 2021 and 2020 was \$50,000.

Patents

On September 28, 2017, AMMO Technologies Inc. ("ATI"), an Arizona corporation, which is 100% owned by us, merged with Hallam, Inc, a Texas corporation, with ATI being the survivor. Under the terms of the Merger, we issued to Hallam, Inc.'s two shareholders, 600,000 shares of our common stock, subject to restrictions, and payment of \$200,000. The first payment of \$100,000 to the Hallam, Inc. shareholders was paid on September 13, 2017, and the second payment of \$100,000 was paid on February 6, 2018.

The shares were valued at \$1.25 and the aggregate value of \$950,000 was recorded as a patent asset. This asset will be amortized from September 2017, the first full month of the acquired rights, through October 29, 2028. Patent amortization expense for the years ended March 31, 2021 and 2020 were \$85,075 and \$85,075, respectively.

Under the terms of the Merger, ATI succeeded to all of the assets of Hallam, Inc. and assumed the liabilities of Hallam, Inc., which were none. The primary asset of Hallam, Inc. was an exclusive license to produce projectiles and ammunition using the Hybrid Luminescence Ammunition Technology under patent U.S. 8,402,896 B1 with a publication date of March 26, 2013 owned by University of Louisiana at Lafayette. The license was formally amended and assigned to AMMO Technologies Inc. pursuant to an Assignment and First Amendment to Exclusive License Agreement. Assumption Agreement dated to be effective as of August 22, 2017, the Merger closing date. Under the terms of the Exclusive License Agreement, the Company is obligated to pay a royalty to the patent holder, based on a \$0.01 per unit basis for each round of ammunition sold that incorporates this patented technology through October 29, 2028. For the years ended March 31, 2021 and 2020, the Company recognized royalty expenses of \$87,093 and \$43,222 respectively under this agreement.

In August 2018, we applied for additional patent coverage for the manufacturing methods or application of the Hybrid Luminescence Ammunition Technology on a variety of projectile and ammunition types. The costs of filing this patent were expensed.

On October 5, 2018, we completed the acquisition of SW Kenetics Inc. AMMO Technologies, Inc. succeeded all of the assets of SW Kenetics, Inc. and assumed all of the liabilities. Under the terms of the agreement, we issued to SW Kenetics Inc.'s three shareholders, 1,700,002 restricted shares of our common stock, payment of \$250,000, and a payment obligation of \$1,250,000 subject to completion of specific milestones that we have recorded as Contingent Consideration Payable. Additionally, the 1,700,002 shares of common stock were issued with claw back provisions to ensure agreed upon objectives are met. The Company has made four payments totaling \$350,000 for the completion of specific milestones to the shareholders of SW Kenetics, Inc.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and March 31, 2020

The primary asset of SW Kenetics Inc. was a pending patent for modular projectiles. All rights to patent pending application were assigned and transferred to AMMO Technologies, Inc. pursuant to Intellectual Property Rights Agreement on September 27, 2018. Patent amortization expense for the years ended March 31, 2021 and 2020 was \$408,267 and \$341,320, respectively. There was no amortization expense for the patent in the year ended March 31, 2019 as the patent had not been placed in service.

We intend to continue building our patent portfolio to protect our proprietary technologies and processes, and will file new applications where appropriate to preserve our rights to manufacture and sell our branded lines of ammunition.

Other Intangible Assets

On March 15, 2019, Enlight Group II, LLC d/b/a Jagemann Munition Components, a wholly owned subsidiary of AMMO, Inc., completed its acquisition of assets of Jagemann Stamping Company's ammunition casing manufacturing and sales operations pursuant to the terms of the Amended and Restated Asset Purchase Agreement (See Note 18). The intangible assets acquired include a tradename, customer relationships, and intellectual property. For the years ended March 31, 2021 and 2020, amortization of the other intangibles assets was \$1,428,446 and \$1,435,030, respectively recognized in depreciation and amortization expense.

Impairment of Long-Lived Assets

We continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. No impairment expense was recognized for the years ended March 31, 2021 and March 31, 2020.

Revenue Recognition

We generate revenue from the production and sale of ammunition. We recognize revenue according to Accounting Standards Codification 606 – Revenue From Contracts with Customer (“ASC 606”). When the customer obtains control over the promised goods or services, we record revenue in the amount of consideration that we can expect to receive in exchange for those goods and services. The Company applies the following five-step model to determine revenue recognition:

- Identification of a contract with a customer
- Identification of the performance obligations in the contact
- determination of the transaction price
- allocation of the transaction price to the separate performance allocation
- recognition of revenue when performance obligations are satisfied

The Company only applies the five-step model when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception and once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. Our contracts contain a single performance obligation and the entire transaction price is allocated to the single performance obligation. We recognize as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Accordingly, we recognize revenues (net) when the customer obtains control of the Company's product, which typically occurs upon shipment of the product. In the current period, the Company began accepting contract liabilities or deferred revenue. We included Deferred Revenue in our Accrued Liabilities. The Company will recognize revenue when the performance obligation is met.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and March 31, 2020

For the years ended March 31, 2021 and 2020, the Company's customers that comprised more than ten percent (10%) of total revenues and accounts receivable were as follows:

PERCENTAGES	For the Year Ended March 31, 2021		For the Year Ended March 31, 2020	
	Revenues	Accounts Receivable	Revenues	Accounts Receivable
Customers:				
A	16.5%	11.9%	19.1%	26.5%
B	-	23.3%	-	-%
C	-	10.6%	-	-%
D	-	-	13.3%	-
	<u>16.5%</u>	<u>45.8%</u>	<u>32.4%</u>	<u>26.5%</u>

Disaggregated Revenue Information

The following table represent a disaggregation of revenue from customers by segment. We attribute net sales to segments by product types; ammunition and ammunition casings. The Company notes that revenue recognition processes are consistent between product type, however, the amount, timing and uncertainty of revenue and cash flows may vary by each product type due to the customers of each product type.

	For the Year Ended	
	March 31, 2021	March 31, 2020
Ammunition Sales	\$ 49,620,530	\$ 6,591,196
Ammunition Casings Sales	12,861,800	8,189,169
Total Sales	<u>\$ 62,482,330</u>	<u>\$ 14,780,365</u>

Ammunition products are sold through "Big Box" retailers, manufacturers, local ammunition stores, and shooting range operators. We also sell direct to customers online. In contrast, our ammunition casings products are sold to manufacturers.

Sales are initiated in three ways –

- third party sales representative obtains signed purchase order from a customer
- direct contact by in-house sales representatives who obtains signed purchase order
- electronic purchase order from a customer (usually the very large customers)

Once a customer's order is received a sales order is generated by authorized sales or management personnel. Once approved for shipping, the sales order is entered, the inventory control department will pull the purchased items from the inventory or if needed will request the manufacture of a specific product. When the items that were ordered are available for shipment, the merchandise is prepared for shipping and shipped by FedEx or common carrier.

All sales are recorded upon shipment and, depending on credit worthiness of customer, the payment terms will vary from thirty (30) to sixty (60) days. No refunds are allowed on any product shipped.

Each product manufactured by the Company has standard specifications and performance objectives. The Company has an extensive product testing program and, if the Company were given notice of a product defect by a customer, the Company would request the return of the product so that the manufacturing defect could be identified. From inception to March 31, 2021, the Company has had no returned products related to product warranty.

Advertising Costs

We expense advertising costs as they are incurred. We incurred advertising of \$257,886 and \$563,968 for the years ended March 31, 2021 and 2020, respectively.

Fair Value of Financial Instruments

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and March 31, 2020

We measure options and warrants at fair value in accordance with Accounting Standards Codification 820 – Fair Value Measurement (“ASC 820”). The objective of ASC 820 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 specifies a valuation hierarchy based on whether the inputs to those valuation techniques are observable or unobservable.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s own assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets;

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires us to minimize the use of unobservable inputs and to use observable market data, if available, when estimating fair value.

We value all common stock issued for services on the date of the agreements, using the price at which shares were being sold to private investors or at the value of the services performed.

We valued warrants issued for the reduction in conversion price for the conversion of Convertible Promissory Notes at the grant date of March 31, 2021 using valuation methods and assumptions that consider, among other factors, the fair value of the underlying stock, risk free interest rate, volatility, and expected life.

	March 31, 2021	March 31, 2020
Risk free interest rate	0.32%-0.38%	-
Expected volatility	88.9%-90.4%	-
Expected term	2.5 years	-
Expected dividend yield	0%	0%

Equipment acquired in the March 15, 2019 acquisition of the Jagemann Munitions Components was valued at fair value on the acquisition date by using the cost and market valuation approaches.

	Quoted Active Markets for Identified Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
March 31, 2021				
Warrants issued for convertible promissory notes conversion	\$ -	\$ 1,315,494	\$ -	\$ 1,315,494

Inventories

We state inventories at the lower of cost or net realizable value. We determine cost using the average cost method. Our inventory consists of raw materials, work in progress, and finished goods. Cost of inventory includes cost of parts, labor, quality control, and all other costs incurred to bring our inventories to condition ready to be sold. We periodically evaluate and adjust inventories for obsolescence.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and March 31, 2020

Property and Equipment

We state property and equipment at historical cost less accumulated depreciation. We compute depreciation using the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which are generally five to ten years. Upon retirement or sale of property and equipment, we remove the cost of the disposed assets and related accumulated depreciation from the accounts and any resulting gain or loss is credited or charged to other income or expenses. We charge expenditures for normal repairs and maintenance to expense as incurred.

We capitalize additions and expenditures for improving or rebuilding existing assets that extend the useful life. Leasehold improvements made either at the inception of the lease or during the lease term are amortized over the shorter of their economic lives or the lease term including any renewals that are reasonably assured.

Compensated Absences

We accrue a liability for compensated absences in accordance with Accounting Standards Codifications 710 – Compensation – General.

Stock-Based Compensation

We account for stock-based compensation at fair value in accordance with Accounting Standards Codification 718 – Compensation – Stock Compensation (“ASC 718”), which requires the measurement and recognition of compensation expense for all share-based payment awards to employees and directors. Stock-based compensation is recognized on a straight line basis over the vesting periods and forfeitures are recognized in the periods they occur. There were 1,016,331 shares of common stock issued to employees, members of the Board of Directors, and members of our advisory committee for services during the year ended March 31, 2021.

Concentrations of Credit Risk

Accounts at banks are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. As of March 31, 2021, our bank account balances exceeded federally insured limits, however, we have not incurred losses related to these deposits.

Income Taxes

We file federal and state income tax returns in accordance with the applicable rules of each jurisdiction. We account for income taxes under the asset and liability method in accordance with Accounting Standards Codification 740 - Income Taxes (“ASC 740”). The provision for income taxes includes federal, state, and local income taxes currently payable, and deferred taxes. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable amounts in years in which those temporary differences are expected to be recovered or settled. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. In accordance with ASC 740, we recognize the effect of income tax positions only if those positions are more likely than not of being sustained. We measure recognized income tax positions at the largest amount that is greater than 50% likely of being realized. We reflect changes in recognition or measurement in the period in which the change in judgment occurs. We currently have substantial net operating loss carryforwards. We have recorded a valuation allowance equal to the net deferred tax assets due to the uncertainty of the ultimate realization of the deferred tax assets.

Furthermore, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law on March 27, 2020. The CARES Act was enacted in response to the COVID-19 pandemic and contains numerous income tax provisions, such as relaxing limitations on the deductibility of interest, technical corrections to tax depreciation methods for qualified improvement property and net operating loss carryback periods. The Company is implementing applicable benefits of the CARES Act, such as deferring employer payroll taxes and evaluating potential employee retention credits.

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Contingencies

Certain conditions may exist as of the date the consolidated financial statements are issued that may result in a loss to us but will only be resolved when one or more future events occur or fail to occur. We assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, we evaluate the perceived merits of any legal proceedings or unasserted claims and the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability is reasonably estimated, the estimated liability would be accrued in our condensed consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of range of possible loss if determinable and material, would be disclosed. On September 24, 2019, the Company received notice that a former employee that had voluntarily terminated filed a complaint against the Company, and certain individuals, with the U.S. Department of Labor (“DOL”). The Complaint alleges that the individual reported potential violations of SEC rules and regulations by management and that as a result of such disclosures, the individual experienced a hostile work environment; that the Company lacks sufficient controls internal controls, and that the individual was the victim of retaliation and constructive discharge after being removed as a director by majority vote of the shareholders. The claims were investigated by a newly appointed Special Investigative Committee made of up independent directors represented by special independent legal counsel. The Special Investigative Committee and legal counsel found the material claims were unsubstantiated, including those concerning alleged SEC violations, and recommended enhancements to certain corporate governance charter documents and processes which the Company promptly implemented. The matter is currently the subject of administrative investigation by the DOL via the Occupational Safety and Health Administration. The Company filed a timely Position Statement with the DOL in October of 2019 in response to the Complaint. The Company disputes the allegations of wrongdoing and believes the matters raised in the Complaint are without merit and therefore has and will continue to aggressively defend its interests in this matter. On February 4, 2020, the Company filed suit against a former employee for violating merger agreements with SW Kenetics, Inc., employment agreements, and by unlawfully retaining property belonging to the Company following their termination. On March 11, 2020, the former employee filed a counterclaim against the Company citing breach of contract, breach of implied covenant of good faith and fair dealing, unjust enrichment, and declaratory judgement. The Company plans to aggressively pursue its offensive claims in order to recover economic damages as a result of its claims while seeking dismissal of the counterclaim. There were no other known contingencies at March 31, 2021 and 2020.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 – “Leases (Topic 842)” Under ASU 2016-02, entities will be required to recognize lease asset and lease liabilities by lessees for those leases classified as operating leases. Among other changes in accounting for leases, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. The amendments in ASU 2016-02 will become effective for fiscal years beginning after December 15, 2018, including interim periods with those fiscal years for public business entities. We adopted Topic 842 as of April 1, 2019 and this resulted in an increase in assets and liabilities on our consolidated balance sheets related by recording a Right of Use Asset of \$3,771,873 and corresponding Operating Lease Liability of \$3,812,886. As a result of the adoption, there was no material impact to our Consolidated Statement of Operations. See Note 7 for more information.

On June 20, 2018, the FASB expanded the scope of ASC 718, to include share-based payments to nonemployees for goods and services. The accounting board said the amendments in Accounting Standards Update (ASU) No. 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, align the guidance for stock compensation to employees and nonemployees. The amended guidance replaces ASC 505-50, Equity – Equity-Based Payments to Non-Employees. We anticipate that this ASC will not have a material effect on the Company’s financial statements.

The amendments in ASU No. 2018-07 apply “to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards,” the FASB said. But the amended guidance does not cover stock compensation that is used to provide financing to the company that issued the shares or stock awards tied to a sale of goods or services as part of a contract accounted for according to ASC 606.

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The amendments are effective for public companies for fiscal years that begin after December 15, 2018, and the quarterly and other interim periods in those years, the FASB said the amended guidance can be applied before it becomes effective, but businesses are not permitted to use the guidance in ASU No. 2018-07 before they have implemented ASC 606. On April 1, 2019, we adopted ASU 2018-07. The effects on our consolidated results of operations, financial position or cash flows were not material to the Company's financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326)," which replaces the current incurred loss impairment methodology for most financial assets with the current expected credit loss ("CECL") methodology. The series of new guidance amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. The guidance should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. The guidance is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The new guidance is intended to enhance and simplify various aspects of the accounting for income taxes. The new guidance eliminates certain exceptions to the general approach to the income tax accounting model, and adds new guidance to reduce the complexity in accounting for income taxes. The guidance will be effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption of the amendments is permitted, including adoption in any interim period for public business entities for periods for which financial statements have not yet been issued. The Company is currently evaluating the impact that the new guidance will have on the consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

Loss Per Common Share

We calculate basic loss per share using the weighted-average number of shares of common stock outstanding during each reporting period. Diluted loss per share includes potentially dilutive securities, such as outstanding options and warrants, using various methods, such as the treasury stock or modified treasury stock method, in the determination of dilutive shares outstanding during each reporting period. We have issued warrants to purchase 3,607,945 shares of common stock. Due to the loss from operations in the years ended March 31, 2021 and 2020, there are no common shares added to calculate the dilutive EPS for those periods as the effect would be antidilutive. The Company excluded warrants of 3,607,945 and 8,504,372 for the years ended March 31, 2021 and 2020, respectively, from the weighted average diluted common shares outstanding because their inclusion would have been antidilutive.

NOTE 3 – INVENTORIES

At March 31, 2021 and March 31, 2020, the inventory balances are composed of:

	March 31, 2021	March 31, 2020
Finished product	\$ 899,266	\$ 1,916,417
Raw materials	12,440,548	1,771,006
Work in process	<u>2,527,104</u>	<u>720,650</u>
	<u>\$ 15,866,918</u>	<u>\$ 4,408,073</u>

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NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2021 and March 31, 2020:

	March 31, 2021	March 31, 2020
Leasehold Improvements	\$ 126,558	\$ 118,222
Furniture and Fixtures	87,790	87,790
Vehicles	142,691	103,511
Equipment	26,425,221	19,578,035
Tooling	121,790	126,190
Construction in Progress	544,939	1,093,262
Total property and equipment	\$ 27,448,989	\$ 21,107,010
Less accumulated depreciation	(5,895,763)	(3,060,681)
Net property and equipment	<u>21,553,226</u>	<u>18,046,329</u>

Depreciation Expense for the years ended March 31, 2021 and 2020 totaled \$2,904,968 and \$2,544,537, respectively. Of these totals \$2,674,161 and \$2,380,076 were included in cost of goods sold for the years ending March 31, 2021 and 2020. Additionally, \$230,797 and \$164,461 were included in depreciation and amortization expenses in operating expenses.

NOTE 5 – FACTORING LIABILITY

On July 1, 2019, we entered into a Factoring and Security Agreement with Factors Southwest, LLC (“FSW”). FSW may purchase from time to time the Company’s Accounts Receivables with recourse on an account by account basis. The twenty-four month agreement contains a maximum advance amount of \$5,000,000 on 85% of eligible accounts and has an annualized interest rate of the Prime Rate published from time to time by the Wall Street Journal plus 4.5%. The agreement contains fee of 3% (\$150,000) of the Maximum Facility assessed to the Company. Our obligations under this agreement are secured by present and future accounts receivables and related assets, inventory, and equipment. The Company has the right to terminate the agreement, with 30 days written notice, upon obtaining a non-factoring credit facility. This agreement provides the Company with the ability to convert our account receivables into cash. As of March 31, 2021 and 2020, the outstanding balance of the Factoring Liability was \$1,842,188 and \$2,005,979, respectively. Interest expense recognized on the Factoring Liability for the year ended March 31, 2021 was \$305,747, including \$50,000 of amortization of the commitment fee and for the year ended March 31, 2020, \$153,663 of interest expense was recognized including \$75,000 of amortization of the commitment fee.

On June 17, 2020, this agreement was amended which extended the maturity date to June 17, 2022.

NOTE 6 – INVENTORY CREDIT FACILITY

On June 17, 2020, we entered into a Revolving Inventory Loan and Security Agreement with FSW. FSW will establish a revolving credit line, and make loans from time to time to the Company for the purpose of providing capital. The twenty-four month agreement secured by our inventory, among other assets, contains a maximum loan amount of \$1,750,000 on eligible inventory and has an annualized interest rate of the greater of the three-month LIBOR rate plus 3.09% or 8%. The agreement contains a fee of 2% of the maximum loan amount (\$35,000) assessed to the Company. On July 31, 2020, the Company amended its Revolving Loan and Security Agreement to increase the maximum inventory loan amount to \$2,250,000. As of March 31, 2021, the outstanding balance of the Inventory Credit Facility was \$1,091,098. Interest expense recognized on the Inventory Credit Facility was \$171,414, including \$36,439 of amortization of the annual fee. There was no interest expense for the comparable period ending March 31, 2020 as this transaction was not yet consummated.

NOTE 7 – LEASES

We lease office, manufacturing, and warehouse space in Scottsdale and Payson, AZ and Manitowoc and Two Rivers, WI under contracts we classify as operating leases. None of our leases are financing leases. The Payson lease has an option to renew for five years, and the Two Rivers has an option to renew the lease for up to twelve months. The Scottsdale lease does not include a renewal option and we do not intend to exercise the renewal option on the Two Rivers lease. As of June 26, 2020, the Company entered into an amended agreement that modified the Manitowoc lease to monthly payments of \$34,071 and decrease the term to March 2025. The agreement does not contain a renewal option. Accordingly, we modified our Right of Use Assets and Operating Lease Liabilities by \$737,680 during the current fiscal year. As of March 31, 2021, we no longer intend to exercise the renewal option of the Payson lease, and we have reduced our Right of Use Asset and Operating Lease Liability by \$318,116.

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As of March 31, 2021 and 2020, total Right of Use Assets on the Balance Sheet were \$2,090,162 and \$3,431,746, respectively. As of March 31, 2021 and 2020, total Operating Lease Liabilities on the Balance Sheet were \$2,141,440 and \$3,483,724, respectively. The current portion of our Operating Lease Liability at March 31, 2021 and 2020 is \$663,784 and \$375,813 respectively and is reported as a current liability. The remaining \$1,477,656 of the total \$2,141,440 for the year ended March 31, 2021 and the \$3,107,911 of the total \$3,483,724 for the year ended March 31, 2020 of the Operating Lease Liability is presented as a long-term liability net of the current portion.

Consolidated lease expense for the year ended March 31, 2021 was \$844,442 including \$742,433 of operating lease expense and \$102,008 of other lease associated expenses such as association dues, taxes, utilities, and other month to month rentals. Consolidated lease expense for the year ended March 31, 2020 was \$836,665 including \$706,692 of operating lease expense and \$129,973 of other lease associated expenses such as association dues, taxes, utilities, and other month to month rentals.

The weighted average remaining lease term and weighted average discount rate for operating leases were 3.4 years and 10.0%, respectively at March 31, 2021 and 7.8 years and 10.0%, respectively at March 31, 2020.

Future minimum lease payments under non-cancellable leases as of March 31, 2021 are as follows:

Years Ended March 31,	
2022	847,219
2023	679,432
2024	598,160
2025	408,852
Thereafter	-
	2,533,663
Less: Amount Representing Interest	(392,223)
	\$ 2,141,440

NOTE 8 – CONVERTIBLE PROMISSORY NOTES

On January 15, 2020, the Company consummated the initial closing of a private placement offering whereby pursuant to the Subscription Agreements entered into by the Company with five (5) accredited investors, the Company issued certain Convertible Promissory Notes for an aggregate purchase price of \$1,650,000 and five (5) year warrants to purchase shares of the Company’s common stock, par value \$0.001 per share (“Common Stock”).

On January 30, 2020, the Company consummated the final closing of a private placement whereby pursuant to the Subscription Agreements entered into by the Company with five (5) accredited investors, the Company issued certain Convertible Promissory Notes for an aggregate purchase price of \$850,000 and five (5) year warrants to purchase shares of the Company’s common stock, par value \$0.001 per share.

The Notes accrue interest at a rate of 8% per annum and mature on October 15, 2020 and October 30, 2020. Additionally, the Notes contain a mandatory conversion mechanism whereby any principal and accrued interest on the Notes, upon the closing of a Qualified Financing (as defined in the Notes), converts into shares of the Company’s Common Stock at a conversion price of 66.7% of the per share purchase price of shares or other units in the Qualified Financing. If a Qualified Financing has not occurred on or before the Maturity Date, the Notes shall become convertible into shares of the Company’s Common Stock at a conversion price that is equal to 50.0% of the arithmetic mean of the Volume Weighted Average Price (“VWAP”) in the ten consecutive Trading Days immediately preceding the Maturity Date. The Notes contain customary events of default. If an Event of Default occurs, interest under the Notes will accrue at a rate of fifteen percent (15%) per annum and the outstanding principal amount of the Notes, plus accrued but unpaid interest, liquidated damages and other amounts owing with respect to the Notes will become, at the Note holder’s election, immediately due and payable in cash.

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The Company analyzed embedded conversion options of the convertible notes at issuance to determine whether the embedded conversion options should be bifurcated and accounted for as derivative liabilities or if the embedded conversion options contain a beneficial conversion feature. This determination must be performed at each balance sheet date and makes it possible for certain instruments to be reclassified between debt and equity at different points in their life. The Company determined that it will defer recognition of its accounting until such notes become convertible. Additionally, the Company determined that the embedded conversion options do not require bifurcation and treatment as derivative liabilities, but they included contingent beneficial conversion features that are indeterminable on the commitment date. The Company notes the embedded conversion options will be accounted for and recognized, if necessary, when the contingencies are resolved (the date of a Qualified Financing or during the 10 days prior to the Maturity Date). Through the maturity date, a Qualified Financing had not occurred and the Note was not yet convertible under the Voluntary Conversion Option.

Pursuant to the Subscription Agreements, each Investor will receive the number of Warrants to purchase shares of Common Stock equal to the quotient obtained by dividing 50% of the principal amount of the Note by the Conversion Price of the Note. The Warrants are exercisable at the per share purchase price of shares or other units in the Qualified Financing. If a Qualified Financing has not occurred on or before the Maturity Date, the warrants shall become exercisable at a price per share that is equal to the closing ten-day VWAP in the ten trading days immediately preceding the Maturity Date (the "Exercise Price"). The Warrants contain an anti-dilution protection feature, to adjust the Exercise Price if shares are sold or issued for a consideration per share less than the exercise price then in effect.

Joseph Gunnar & Co., LLC acted as placement agent for the Offering. The Placement Agent received cash compensation of \$200,000 and is scheduled to be issued five (5) year warrants to purchase such number of shares of Common Stock equal to five percent (5%) of the shares underlying the Notes and the Warrants, at an exercise price equal to 125% of the Conversion Price of the Notes, which price shall not be known until the earlier of the Maturity Date or the closing of the Qualified Financing.

From October 8, 2020 to October 26, 2020, the Company received notices for voluntary conversion for the total outstanding principal (\$2,500,000) and interest (\$146,104) of the Convertible Promissory Notes and issued 2,157,358 shares of our Common Stock as a result of the conversion. The principal and interest related to the Initial Closing and Final Closing were converted at a conversion prices of \$1.21 and \$1.26, respectively. Additionally, the Company issued a total of 1,019,121 warrants to purchase shares of our Common Stock at exercise prices ranging from \$2.19 to \$2.67. The Company recognized \$1,198,983 in interest expense as a result of the issuance of warrants. Subsequent to the issuance of the warrants, the exercise prices of the warrants were adjusted to \$2.00. As a result, the Company recognized \$116,511 in interest expense for the change in the valuation of the warrants.

Additionally, pursuant to the Subscription Agreements, the Company issued 152,868 warrants to purchase shares of our Common Stock to Joseph Gunnar & Co. LLC with exercise prices ranging from \$1.51 to \$1.58. The Company has no further obligation with respect to the Convertible Promissory Notes.

On November 5, 2020 to November 25, 2020, the Company entered into Convertible Promissory Notes with four (4) accredited investors (the "Investors"), for an aggregate purchase price of \$1,959,000 (each a "8% Note," collectively, the "8% Notes"). The 8% Notes accrue interest at a rate of 8% per annum and mature from November 5, 2022 to November 25, 2022. Additionally, the 8% Notes contain a voluntary conversion mechanism whereby any principal and accrued interest on the 8% Notes, may be converted in holder's discretion into shares of the Company's Common Stock at a conversion price of \$2.00 per share ("Conversion Price"). If not previously paid in full or converted, on the 180th day following the Maturity Date, the principal and interest due under the 8% Notes shall automatically be converted to common stock shares at the Conversion Price. The 8% Notes contain customary events of default (each an "Event of Default"). If an Event of Default occurs, the outstanding principal amount of the 8% Notes, plus accrued but unpaid interest, and other amounts owing with respect to the 8% Notes will become, at the 8% Note holder's election, due and payable in cash. The Company performed analysis at the 8% Notes respective commitment dates and determined the 8% Notes contained beneficial conversion features. The Company recorded the \$208,855 beneficial conversion feature as a note issuance cost. The Company recognized \$17,000 in interest expense related to the convertible promissory notes in the current period.

On December 5, 2020, \$1,020,000 of the 8% Notes were converted into 510,000 shares of common stock. There were \$939,000 in 8% Notes remaining as of December 31, 2020. The Company recognized \$73,313 in interest expense for the unamortized issuance costs upon conversion.

On February 2, 2021, the remaining \$939,000 in principal balance and \$17,247 in accrued interest were converted into 478,123 shares of common stock at a conversion price of \$2.00 per share. The Company recognized \$115,811 in interest expense for the unamortized issuance costs upon conversion.

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NOTE 9 – NOTES PAYABLE – RELATED PARTY

In connection with the acquisition of the casing division of Jagemann Stamping Company (“JSC”), a \$10,400,000 promissory note was executed on March 14, 2020. The promissory note, under which \$500,000 was paid on March 25, 2019 using funds raised for the acquisition, had a remaining balance at March 31, 2019 of \$9,900,000. On April 30, 2019, the original due date of the note was subsequently extended to April 1, 2020. The note bears interest per annum at approximately 4.6% payable in arrears monthly. In May of 2019, the Company paid \$1,500,000 on the balance of the note. As of March 31, 2020, we recognized interest of \$352,157 related to the note. The note is secured by all the equipment purchased from JSC. JSC owned at least five percent (5%) of our shares outstanding from March 2019 through March 16, 2021.

Post-closing of the transaction, it was made apparent that certain equipment that was agreed to be delivered free and clear by the Seller was not achievable as Seller was not able to purchase equipment that Seller had leased. Accordingly, the remaining value of the promissory note was reduced by \$2,596,200. As a result of the change to the purchase price of the transaction, the Company reduced Equipment for a net value of \$1,871,306, decreased Other Intangible Assets by \$766,068, increased Accounts Receivable by \$31,924, and recorded an increase to Deposits for \$9,250 worth of equipment that the Company agreed to transfer back to Seller. Consequently, accumulated amortization has decreased by \$159,530. Additionally, the Company entered into a lease to gain possession of the assets that were originally to be transferred.

On June 26, 2020, the Company, Enlight Group II, LLC (“Enlight”), the Company’s wholly owned subsidiary and JSC entered into a Settlement Agreement pursuant to which the parties mutually agreed to settle all disputes and mutually release each other from liabilities related to the Amended APA occurring prior to June 26, 2020. Pursuant to the Settlement Agreement, the Company shall pay JSC \$1,269,977 and shall provide JSC with: (i) two new promissory notes, a note of \$5,803,800 related to the Seller Note and note of \$2,635,797 for inventory and services, which was reclassified from accounts payable, both with a maturity date of August 15, 2021, (ii) general business security agreements granting JSC a security interest in all personal property of the Company. Pursuant to the Notes, the Company is obligated to make monthly payments totaling \$204,295 to JSC. In addition, the Notes have a mandatory prepayment provision that comes into effect if the Company conducts a publicly registered offering. Pursuant to such provision, the Company: (a) upon the closing of an Offering of less than \$10,000,000 would be obligated to pay the lesser of ninety percent (90%) of the Offering proceeds or seventy (70%) of the then aggregate outstanding balance of the Notes; and (b) upon the closing of an Offering of more than \$10,000,000 would be obligated to pay one hundred percent (100%) of the then aggregate outstanding balance of the Notes. The Company was granted an option to repurchase up to 1,000,000 of the shares of the Company’s common stock issued to JSC under the Amended APA at a price of \$1.50 per share through April 1, 2021 so long as there are no defaults under the Settlement Agreement.

As a result of the Settlement Agreement, the Company agreed to forego \$1,000,000 in Construction in Progress that the parties had previously agreed to exchange. As a result, the Company recognized a loss in operating expenses for the year ended March 31, 2021.

On November 5, 2020, the Company paid \$6,000,000 to JSC allocated as follows: (i) payment in full of Note A, representing the balance due from the Company to JSC relating to the acquisition of Jagemann Munition Components in March 2019 and (ii) \$592,982 remitted in partial payment of Note B, resulting in the parties’ execution of Amended Note B which has a starting principal balance of \$1,687,664 (“Amended Note B”). The Amended Note B principal balance carries a 9% per annum interest rate and is amortized equally over the thirty six (36) month term. As a result of the payment in full of Note A JSC shall release the accompanying security interest in Company assets which secured Note A. Concurrently, upon entry into Amended Note B, JSC and the Company entered into the First Amendment to General Business Security Agreement to reflect a revised list of collateral in which JSC has a security interest. The total interest expense recognized on Note A \$216,160 for the year ended March 31, 2021. The total interest expense recognized on the original Note B was \$62,876 for the year ended March 31, 2021.

The Company’s balance of Amended Note B was \$1,490,918 at March 31, 2021. The Company recognized \$60,100 in interest expense on Amended Note B for the year ended March 31, 2021.

On January 22, 2021, the Company repurchased 1,000,000 shares of the Company’s common stock issued to JSC at a price of \$1.50 per share pursuant to the Amended APA.

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On May 3, 2019, the Company entered into a promissory note of \$375,000 with a shareholder of the Company. The original interest rate was the applicable LIBOR Rate. The promissory note was amended and the note's original maturity date of August 3, 2019 was extended to September 18, 2020. The amended note bears interest at 1.25% per month. The Company made \$18,195 in principal payments during the nine months ended December, 2020 and the Note was paid in full in July of 2020. We recognized \$10,327 of interest expenses related to the note during the year ended March 31, 2021.

In December of 2019, the Company entered into a Promissory Note of \$90,000 with Fred Wagenhals, the Company's Chief Executive Officer and Chairman of the Board of Directors. The Note originally matured on June 12, 2020 and had an interest rate at the applicable LIBOR Rate. The promissory note has since been amended and the amended maturity date is September 18, 2020. The Company made \$25,000 in principal payments during the year ended March 31, 2021 and the Note was paid in full in July of 2020. The amended note bears interest at 1.25% per month. We recognized \$5,350 of interest expense on the note for the year ended March 31, 2021.

On September 23, 2020, the Company and Enlight entered into a promissory note (the "Forest Street Note") with Forest Street, LLC ("Lender"), an Arizona limited liability company wholly owned by our current Chief Executive Officer, Fred Wagenhals, for the principal sum of \$3.5 million, which accrues interest at 12% per annum. The Note has a maturity date of September 23, 2022.

Pursuant to the terms of the Forest Street Note, the Company and Enlight (collectively, the borrower pursuant to the note) shall pay Lender; (i) on a monthly basis, beginning October 23, 2020, all accrued interest (only), (ii) on a quarterly basis, a monitoring fee of 1% of the principal amount and then accrued interest; and (iii) on the maturity date, the remaining outstanding principal balance of the Loan, together with all unpaid accrued interest thereon.

On December 14, 2020, the Company entered into a Debt Conversion Agreement with the Lender Pursuant to the Agreement, the Company and Forest Street agreed to convert \$2,100,000 of the Note's principal into 1,000,000 shares of the Company's common stock. The share issuance occurred on December 15, 2020. As a result of the Debt Conversion Agreement the remaining balance of the Forest Street Note was \$1,400,000. On January 14, 2021, the Company paid the remaining \$1,400,000 in principal and accrued interest of the Forest Street Note. The Company recognized \$137,666 in interest expense related to the Forest Street Note for the year ended March 31, 2021.

NOTE 10 – NOTE PAYABLE

On November 5, 2020, the Company, entered into a promissory note (the "12% Note") with Lisa Kay ("LK"), an individual, for the principal sum of \$4 million ("Principal"), which accrues interest at 12% per annum ("Interest"). The 12% Note has a maturity date of November 5, 2023 ("Maturity Date").

Pursuant to the terms of the 12% Note, the Borrower shall pay LK: (i) on a monthly basis, beginning December 10, 2020, all accrued interest (only), and (ii) on the Maturity Date, the remaining outstanding principal balance of the Loan, together with all unpaid accrued interest thereon.

The 12% Note is unsecured and is not convertible into equity securities of the Company. However, Borrower has agreed that it shall provide commercially reasonable collateral promptly upon the payment of that certain JSC Promissory Note and JSC's contemporaneous release of security supporting that financial accommodation. The 12% Note contain terms and events of default customary for similar transactions. The Company used the net proceeds from the transaction to pay a portion of the outstanding balance owed to JSC.

The Company recognized \$197,333 in interest expense related to the 12% Note for the year ended March 31, 2021.

On May 21, 2021, the Company repaid the Principal of the 12% Note in full.

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NOTE 11 – PAYCHECK PROTECTION NOTES PAYABLE

In April of 2020, the Company determined it was necessary to obtain additional funds as a result of the foregoing uncertainty caused by COVID-19. The Company received approximately \$1.0 million in funds through itself and its wholly owned subsidiary Jagemann Munition Components, which was established under the federal Coronavirus Aid, Relief, and Economic Security Act and is administered by the U.S. Small Business Administration. The Company received approximately \$624,600 from Western State Bank and its wholly owned subsidiary, Jagemann Munition Components, received approximately \$427,385 from BMO Harris. The Paycheck Protection Notes provide for an interest rate of 1.00% per year and matures two years after the issuance date. Principal and accrued interest are payable monthly in equal installments commencing on the date that is six months after the date funds are first disbursed on the loan and continuing through the maturity date, unless the Paycheck Protection Notes are forgiven. To be available for loan forgiveness, the Paycheck Protection Note may only be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligation that existed before February 15, 2020.

On November 11, 2020, the Company applied for forgiveness of the \$1,051,985 Paycheck Protection Program Notes as these funds were used for qualified expenses. No assurance can be given that the Company will be granted forgiveness of these Paycheck Protection Program Notes.

On November 23, 2020, the Company received forgiveness in full on the Paycheck Protection Note Payable from Western State Bank. The Company has recognized the forgiven amount in Other Income.

On January 19, 2021, the Company received forgiveness in full on the Paycheck Protection Note Payable from BMO Harris.

NOTE 12 – CAPITAL STOCK

Our authorized capital consists of 200,000,000 shares of common stock with a par value of \$0.001 per share.

During the year ended March 31, 2020, we issued 1,893,502 shares of common stock as follows:

- 1,232,770 shares were sold to investors for \$2,465,540
- 127,291 shares were issued for the conversion of Convertible Promissory Notes valued at \$318,226
- 170,504 shares were issued for services valued at \$352,300
- 660,499 shares valued at \$901,526 were issued to employees, members of the Board of Directors, and members of the Advisory Committee as compensation

During the year ended March 31, 2021, we issued 47,895,828 shares of common stock as follows:

- 34,512,143 shares were sold to investors for \$138,564,619
- 3,145,481 shares were issued for the conversion of convertible promissory notes for \$4,831,206
- 6,521,563 shares were issued to investors for exercised warrants valued for \$13,952,336
- 732,974 shares were issued for cashless exercise of 1,300,069 warrants
- 1,000,000 shares were issued pursuant to a debt conversion agreement for \$2,100,000
- 943,336 shares were issued for services provided to the Company value at \$1,707,500
- 1,016,331 shares valued at \$1,450,359 were issued to employees, members of the Board of Directors, and members of the Advisory Committee as compensation
- 24,000 shares were issued to investors for \$48,000 in liquidation damage fees

In December of 2019, we entered into a placement agreement to secure equity capital from qualified investors to provide funds for our operations. The offering consisted of Units priced at \$2.00, which included one share of common stock and one five-year warrant to purchase an additional half-share of common stock for an exercise price of \$2.40 per share. Effectively, every two units purchased provided the investor with a five-year warrant at an exercise price of \$2.40 per share. Units sold under this agreement totaled 1,232,770 shares of common stock and 616,385 warrants for \$2,465,540 for the year ended March 31, 2020.

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For services provided under the placement agreements, the placement agent collected a 12% cash fee on the sale of every Unit and a fee payable in warrants equaling 12% of the total Units sold. The warrants totaling 553,346 have a term of five years and an exercise price of \$2.00 per share. The cash fee totaled \$285,981 for the year ended March 31, 2020, including reimbursed expenses.

On November 30, 2020, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with Alexander Capital, L.P. (“Alexander Capital”), as representative of the underwriters listed therein (the “Underwriters”), pursuant to which the Company agreed to sell to the Underwriters in a firm commitment underwritten public offering (the “Offering”) an aggregate of 8,564,285 shares of the Company’s common stock, par value \$0.001 per share (the “Common Stock”), at a public offering price of \$2.10 per share. In addition, the Underwriters were granted an over-allotment option (the “Over-allotment Option”) for a period of 45 days to purchase up to an additional 1,284,643 shares of Common Stock. The Offering closed on December 3, 2020.

The Company conducted the Offering pursuant to a Registration Statement on Form S-1, as amended, which was declared effective by the Securities and Exchange Commission (the “Commission”) on November 30, 2020 (the “Registration Statement”).

The net proceeds to the Company from the Offering, after deducting the underwriting discount, the underwriters’ fees and expenses and the Company’s estimated Offering expenses, were \$15,850,448.

On December 11, 2020, the Company completed the closing of the Over-allotment Option. The Underwriters purchases 1,284,643 shares of the Company’s common stock at the public offering price of \$2.10 per share. The net proceeds to the Company from the Offering, after deducting the underwriting discount, were \$2,467,799.

The Underwriting Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Underwriters, including for liabilities under the Securities Act of 1933, as amended, other obligations of the parties and termination provisions. In addition, pursuant to the terms of the Underwriting Agreement and related “lock-up” agreements, the Company (for a period of one year after the date of the Underwriting Agreement), and each director and executive officer of the Company (for a period of six months after the date of the final prospectus relating to the Public Offering), have agreed, subject to customary exceptions, not to sell, transfer or otherwise dispose of securities of the Company, without the prior written consent of Alexander Capital.

On December 3, 2020, pursuant to the Underwriting Agreement, the Company entered into an Underwriter’s warrant agreement (the “Underwriters’ Warrant Agreement”) with the Underwriters and certain affiliates of the Underwriters. Pursuant to the Underwriters’ Warrant Agreement, the Company provided the Underwriters and certain affiliates of the Underwriters with a warrant to purchase 428,215 shares of Common Stock in the aggregate. Such warrant may be exercised beginning on May 29, 2021 (the date that is 180 days after the date on which the Registration Statement became effective) until November 30, 2025 (the date that is five years after the date on which the Registration Statement became effective). The initial exercise price of the Underwriters’ Warrant Agreement is \$2.63 per share.

Pursuant to subscription agreements with certain investors, the Company agreed to file a registration statement for shares purchased by investors on or before the 75th day following closing. The Company was unable to meet this obligation and is required to pay a liquidated damage fee to investors on a monthly basis to avoid default until such registration statement is filed. Accordingly, the Company paid \$329,800 in the current period ending March 31, 2021, of which \$48,000 was paid by the issuance of 24,000 share of common stock at a price per share of \$2.00. The Company recorded these fees as issuance costs in Other Expenses.

On January 22, 2021, the Company repurchased 1,000,000 shares of the Company’s common stock issued to JSC at a price of \$1.50 per share pursuant to the Amended APA.

On March 12, 2021, the Company entered into an underwriting agreement (the “RA Underwriting Agreement”) with Roth Capital Partners, LLC and Alexander Capital, L.P., as representatives of the several underwriters identified therein (collectively, the “RA Underwriters”), relating to a firm commitment public offering of 20,000,000 newly issued shares of our common stock at a public offering price of \$5.00 per share. Under the terms of the RA Underwriting Agreement, we granted the RA Underwriters a 30-day option to purchase up to an additional 3,000,000 shares of common stock from us. The closing of the offering occurred on March 16, 2021 and included the exercise of the RA Underwriters Over-allotment of 3,000,000 additional shares.

The gross proceeds to us from the sale of 23,000,000 shares of common stock, before deducting underwriting discounts and commissions and estimated offering expenses payable by us, was \$115,000,000 and included total expenses of \$9,569,161 included commissions to the RA Underwriters of \$8,625,000.

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The RA Underwriting Agreement includes customary representations, warranties and covenants, and customary conditions to closing, expense and reimbursement obligations and termination provisions. Additionally, under the terms of the Underwriting Agreement, we have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the Underwriters may be required to make in respect of these liabilities.

The shares of common stock being sold by us have been registered pursuant to a registration statement on Form S-3 (File No. 333-253192), which the Commission declared effective on February 24, 2021. A final prospectus supplement and accompanying base prospectus relating to the offering were filed with the Commission on March 15, 2021.

At March 31, 2021 and March 31, 2020, outstanding and exercisable stock purchase warrants consisted of the following:

	Number of Shares	Weighted Averaged Exercise Price	Weighted Average Life Remaining (Years)
Outstanding at March 31, 2019	8,143,115	\$ 2.09	4.35
Granted	710,317	2.35	4.18
Exercised	-	-	-
Forfeited or cancelled	(349,060)	2.50	-
Outstanding at March 31, 2020	8,504,372	\$ 2.10	3.60
Exercisable at March 31, 2020	8,504,372	\$ 2.10	3.60

	Number of Shares	Weighted Averaged Exercise Price	Weighted Average Life Remaining (Years)
Outstanding at March 31, 2020	8,504,372	\$ 2.10	3.60
Granted	2,925,204	2.31	2.47
Exercised	(7,821,631)	2.08	-
Forfeited or cancelled	-	-	-
Outstanding at March 31, 2021	3,607,945	\$ 2.31	3.24
Exercisable at March 31, 2021	3,179,730	\$ 2.27	3.05

As of March 31, 2021, we had 3,607,945 warrants outstanding. Each warrant provides the holder the right to purchase up to one share of our Common Stock at a predetermined exercise price. The outstanding warrants consist of (1) warrants to purchase 261,625 shares of Common Stock at an exercise price of \$1.65 per share until April 2025; (2) warrants to purchase 2,154,502 shares of our Common Stock at an exercise price of \$2.00 per share consisting until April 2023 through December 2025; (3) warrants to purchase 613,603 shares of Common Stock at an exercise price of \$2.40 until September 2024; (4) warrants to purchase 428,215 shares of Common Stock at an exercise price of \$2.63 until November 2025, but not exercisable before May 29, 2021 and (5) warrants to purchase 150,000 shares of Common Stock at an exercise price of \$6.72 until February 2024.

NOTE 13 – ACQUISITIONS

SW Kenetics, Inc.

On September 27, 2018, AMMO Technologies, Inc. (“ATI”) entered into a definitive Agreement and Plan of Merger with SW Kenetics Inc. (“SWK”), an Arizona corporation and completed the merger on October 5, 2018. Pursuant to the agreement SWK merged with and into AMMO Technologies, Inc., with ATI being the survivor. Under the terms of the agreement, we issued to SWK’s three shareholders, 1,700,002 restricted shares of our common stock, payment of \$250,000, and a payment obligation of \$1,250,000 subject to completion of specific milestones that we have recorded as Contingent Consideration Payable. Additionally, the 1,700,002 shares of common stock were issued with claw back provisions to ensure agreed upon objectives are met. Included among the list of milestones or events that must be completed are significant revenue goals incorporating the product technology of SWK. The initial payment of \$250,000 was made on August 20, 2018. The shares were each valued at \$2.72, the weighted average share price of our Common Stock that was publicly traded and sold through private placement. We recorded the total purchase consideration to patents as follows:

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Cash	\$ 250,000
Contingent Consideration Payable	1,250,000
Common Stock	1,700
Additional Paid-in Capital	4,622,305
Fair Value of Patent	<u>\$ 6,124,005</u>

The preliminary fair value of the patent at the date of acquisition was \$7,723,166 and resulted in the recognition of gain on bargain purchase of \$1,599,161. The estimated fair value was determined using the relief from royalty approach. The valuation firm relied on estimates of future sales and profitability provided by the Company. Subsequently, the Company determined the existing facts and circumstances did not support the original fair value due to delays in obtaining tooling and manufacturing equipment. As a result, at March 31, 2019, the Company adjusted the fair value of the patents from \$7,723,166 to \$6,124,005, with the difference reducing the previously recognized gain on bargain purchase of \$1,599,161.

SWK is a research and development firm located in Arizona that has designed a new portfolio of modular projectiles that the Company believes will advance the force capability of the United States military, as well as NATO member countries. SWK filed a patent for their technology, which is now pending with the United States Patent and Trademark Office.

As of March 31, 2020, the Company has made \$350,000 in payments to SW Kenetics, Inc. in connection with the completion of a milestone. The \$350,000 payment reduced the Contingent Consideration Payable.

At March 31, 2020, The Company reviewed the fair value of contingent consideration using a scenario based method with probability included and determined the fair value was \$709,623. An adjustment of \$190,377 was recognized in corporate general and administrative expenses.

At March 31, 2021, The Company reviewed the fair value of contingent consideration using a scenario based method with probability included and determined the fair value was \$589,892. An adjustment of \$119,731 was recognized in corporate general and administrative expenses.

Jagemann Stamping Company's Ammunition Casing Division

On March 15, 2019, Enlight Group II, LLC (hereinafter referred to as the "Buyer"), a wholly owned subsidiary of AMMO, Inc., completed its acquisition of selected assets of Jagemann Stamping Company's ("Seller") ammunition casing, projectile manufacturing, and sales operations pursuant to the terms of the Amended and Restated Asset Purchase Agreement ("Amended APA") dated March 14, 2019.

In accordance with the terms of the Amended APA, Buyer paid Seller a combination of \$7,000,000 in cash, \$10,400,000 delivered in the form of a Promissory Note, and 4,750,000 shares of AMMO, Inc., common stock valued at \$2.00 per share.

The fair value of the consideration transferred was valued as of the date of the acquisition as follows:

Cash	\$ 7,000,000
Note Payable	10,400,000
Common Stock	4,750
Additional Paid-in Capital	9,495,250
Total Consideration	<u>\$ 26,900,000</u>

Total allocation for the consideration recorded for the acquisition is as follows:

Equipment	\$ 18,869,541
Intellectual property	1,773,436
Customer relationships	1,666,774
Tradename	2,472,095
Loss on Purchase	2,118,154
Total Consideration	<u>\$ 26,900,000</u>

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The fair value of the tangible assets was determined by cost and market approaches for tangible assets. The fair value of intangible assets were determined using the relief from royalty and residual income approaches. The acquired intangible assets have remaining useful lives ranging from three to five years.

Seller is engaged exclusively in the business of full-service stamping involving, among other things, the manufacture and sale of deep drawn stampings for use in the ammunition casing and projectile industries. Pursuant to the Amended APA, Buyer acquired the Seller's munition and casing division assets (including equipment and intellectual property), and is transitioning the associated employees to its direct workforce to continue the operations at Seller's Wisconsin facilities.

In October of 2019, it was made apparent that certain equipment that was agreed to be delivered free and clear by the Seller was not achievable as Seller was not able to purchase equipment that Seller had leased. Accordingly, the remaining value of the promissory note was reduced by \$2,596,200. As a result of the change to the purchase price of the transaction, the Company reduced Equipment for a net value of \$1,871,306, decreased Other Intangible Assets by \$766,068, increased Accounts Receivable by \$31,924, and recorded an increase to Deposits for \$9,250 worth of equipment that the Company agreed to transfer back to Seller. Consequently, accumulated amortization has decreased by \$159,530. Additionally, the Company entered into a lease to gain possession of the assets that were originally to be transferred.

In addition to the Amended APA, the Company entered into an Administrative and Management Services Agreement with Seller on March 15, 2019. The Seller agreed to provide the Company with services including, but not limited to, inventory, rent, maintenance, engineering, and information systems. Through this agreement the Company purchased approximately \$1.9M in Inventory, incurred \$394,128 of rent expenses, and incurred \$153,604 of expenses related to support costs such as engineering and maintenance, among others, for the year ended March 31, 2020.

On June 26, 2020, the Company, Enlight and JSC entered into a Settlement Agreement pursuant to which the parties mutually agreed to settle all disputes and mutually release each other from liabilities related to the Amended APA occurring prior to June 26, 2020. Pursuant to the Settlement Agreement, the Company shall pay JSC \$1,269,977 and shall provide JSC with: (i) two new promissory notes, a note of \$5,803,800 related to the Seller Note and note of \$2,635,797 for inventory and services, both with a maturity date of August 15, 2021, (ii) general business security agreements granting JSC a security interest in all personal property of the Company. Pursuant to the Notes, the Company is obligated to make monthly payments totaling \$204,295 to JSC. In addition, the Notes have a mandatory prepayment provision that comes into effect if the Company conducts a publicly registered offering. Pursuant to such provision, the Company: (a) upon the closing of an Offering of less than \$10,000,000 would be obligated to pay the lesser of ninety percent (90%) of the Offering proceeds or seventy (70%) of the then aggregate outstanding balance of the Notes; and (b) upon the closing of an Offering of more than \$10,000,000 would be obligated to pay one hundred percent (100%) of the then aggregate outstanding balance of the Notes. The Company was granted an option to repurchase up to 1,000,000 of the shares of the Company's common stock issued to JSC under the Amended APA at a price of \$1.50 per share through April 1, 2021 so long as there are no defaults under the Settlement Agreement.

NOTE 14 – ACCRUED LIABILITIES

At March 31, 2021 and March 31, 2020, accrued liabilities were as follows:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Accrued FAET	\$ 1,716,461	\$ 353,061
Accrued sales commissions	514,892	-
Unearned revenue	361,270	493,553
Accrued interest	22,667	197,342
Accrued payroll	640,717	289,603
Accrued professional fees	45,000	131,300
Other accruals	161,778	154,760
	<u>\$ 3,462,785</u>	<u>\$ 1,619,619</u>

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NOTE 15 – RELATED PARTY TRANSACTIONS

From October 2016 through December 2019, our executive offices were located in Scottsdale, Arizona where we leased approximately 5,000 square feet under a month-to-month triple net lease for \$3,800 per month. This space housed our principal executive, administration, and marketing functions. Our Chairman and Chief Executive Officer owned the building in which these offices are currently leased. For the year ended March 31, 2020, the Company paid \$21,800 in rent for these offices.

During the year ended March 31, 2021, we paid \$152,549 in service fees to an independent contractor and 60,000 shares in the aggregate to its advisory committee members for service for a total value of \$103,000.

During the year ended March 31, 2020, we paid \$184,575 in service fees to an independent contractor, \$6,500 in consulting fees to our Previous Chief Financial Officer, and 60,000 shares in the aggregate to its advisory committee members for service for a total value of \$113,000. Additionally, at March 31, 2020, the Company had a receivable of approximately, \$14,700 from its previous Chief Financial Officer.

In connection with the acquisition of the casing division of JSC, a promissory note was executed. On April 30, 2019, the note was subsequently extended to April 1, 2020. The note bears interest per annum at approximately 4.6% payable in arrears monthly. On June 26, 2020, the Company extended the promissory note until August 15, 2021. As of March 31, 2021 and March 31, 2020, we accrued interest of \$352,157 and \$22,196, respectively, related to the note. The note had a balance of \$5,400,000 at March 31, 2020 and the note was paid in full on November 5, 2020. JSC owned at least five percent (5%) of our shares outstanding from March 2019 through March 16, 2021.

In October of 2019, it was made apparent that certain equipment that was agreed to be delivered free and clear by the Seller was not achievable as Seller was not able to purchase equipment that Seller had leased. Accordingly, the remaining value of the promissory note was reduced by \$2,596,200. As a result of the change to the purchase price of the transaction, the Company reduced Equipment for a net value of \$1,871,306, decreased Other Intangible Assets by \$766,068, increased Accounts Receivable by \$31,924, and recorded an increase to Deposits for \$9,250 worth of equipment that the Company agreed to transfer back to Seller. Consequently, accumulated amortization has decreased by \$159,530. Additionally, the Company entered into a lease to gain possession of the assets that were originally to be transferred.

Through the Administrative and Management Services Agreement the Company with JSC, the Company purchased approximately \$3.4 million in inventory support services, and incurred \$405,171 of rent expenses for the year ended March 31, 2021. For the year ended March 31, 2021, the Company purchased approximately \$1.9 million in Inventory, incurred \$394,128 of rent expenses, and incurred \$153,604 of expenses related to support costs such as engineering and maintenance, among others.

On June 26, 2020, the Company and JSC entered into a Settlement Agreement pursuant to which the parties mutually agreed to settle all disputes and mutually release each other from liabilities related to the Amended APA occurring prior to June 26, 2020. Pursuant to the Settlement Agreement, the Company shall pay JSC \$1,269,977 and shall provide JSC with: (i) two new promissory notes, a note of \$5,803,800 related to the Seller Note and note of \$2,635,797 for inventory and services, both with a maturity date of August 15, 2021, (ii) general business security agreements granting JSC a security interest in all personal property of the Company. Pursuant to the Notes, the Company is obligated to make monthly payments totaling \$204,295 to JSC. In addition, the Notes have a mandatory prepayment provision that comes into effect if the Company conducts a publicly registered offering. Pursuant to such provision, the Company: (a) upon the closing of an Offering of less than \$10,000,000 would be obligated to pay the lesser of ninety percent (90%) of the Offering proceeds or seventy (70%) of the then aggregate outstanding balance of the Notes; and (b) upon the closing of an Offering of more than \$10,000,000 would be obligated to pay one hundred percent (100%) of the then aggregate outstanding balance of the Notes. The Company was granted an option to repurchase up to 1,000,000 of the shares of the Company's common stock issued to JSC under the Amended APA at a price of \$1.50 per share through April 1, 2021 so long as there are no defaults under the Settlement Agreement.

On November 5, 2020, the Company paid \$6,000,000 to JSC allocated as follows: (i) payment in full of Note A, representing the balance due from the Company to JSC relating to the acquisition of Jagemann Munition Components in March 2019 and (ii) \$592,982 remitted in partial payment of Note B, resulting in the parties' execution of Amended Note B which has a starting principal balance of \$1,687,664 ("Amended Note B"). The Amended Note B principal balance carries a 9% per annum interest rate and is amortized equally over the thirty six (36) month term. As a result of the payment in full of Note A JSC shall release the accompanying security interest in Company assets which secured Note A. Concurrently, upon entry into Amended Note B, JSC and the Company entered into the First Amendment to General Business Security Agreement to reflect a revised list of collateral in which JSC has a security interest. The total interest expense recognized on Note A \$216,160 for the year ended March 31, 2021. The total interest expense recognized on the original Note B was \$62,876 for the year ended March 31, 2021.

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The Company's balance of Amended Note B was \$1,490,918 at March 31, 2021. The Company recognized \$60,100 in interest expense on Amended Note B for the year ended March 31, 2021.

On January 22, 2021, the Company repurchased 1,000,000 shares of the Company's common stock issued to JSC at a price of \$1.50 per share pursuant to the Amended APA.

On May 3, 2019, the Company entered into a promissory note of \$375,000 with a shareholder of the Company. The original interest rate was the applicable LIBOR Rate. The promissory note was amended and the note's original a maturity date of August 3, 2019 was extended to September 18, 2020. The amended note bears interest at 1.25% per month. The Company made \$18,195 in principal payments during the nine months ended December, 2020 and the Note was paid in full in July of 2020. We recognized \$10,327 of interest expenses related to the note during the year ended March 31, 2021.

In December of 2019, the Company entered into a Promissory Note of \$90,000 with Fred Wagenhals, the Company's Chief Executive Officer and Chairman of the Board of Directors. The Note originally matured on June 12, 2020 and had an interest rate at the applicable LIBOR Rate. The promissory note has since been amended and the amended maturity date is September 18, 2020. The Company made \$25,000 in principal payments during the year ended March 31, 2021 and the Note was paid in full in July of 2020. The amended note bears interest at 1.25% per month. We recognized \$5,350 of interest expense on the note for the year ended March 31, 2021.

On September 23, 2020, the Company and Enlight entered into a promissory note (the "Forest Street Note") with Forest Street, LLC ("Lender"), an Arizona limited liability company wholly owned by our current Chief Executive Officer, Fred Wagenhals, for the principal sum of \$3.5 million, which accrues interest at 12% per annum. The Note has a maturity date of September 23, 2022.

Pursuant to the terms of the Forest Street Note, the Company and Enlight (collectively, the borrower pursuant to the note) shall pay Lender; (i) on a monthly basis, beginning October 23, 2020, all accrued interest (only), (ii) on a quarterly basis, a monitoring fee of 1% of the principal amount and then accrued interest; and (iii) on the maturity date, the remaining outstanding principal balance of the Loan, together with all unpaid accrued interest thereon.

On December 14, 2020, the Company entered into a Debt Conversion Agreement with the Lender Pursuant to the Agreement, the Company and Forest Street agreed to convert \$2,100,000 of the Note's principal into 1,000,000 shares of the Company's common stock. The share issuance occurred on December 15, 2020. As a result of the Debt Conversion Agreement the remaining balance of the Forest Street Note was \$1,400,000. On January 14, 2021, the Company paid the remaining \$1,400,000 in principal and accrued interest of the Forest Street Note. The Company recognized \$137,666 in interest expense related to the Forest Street Note for the year ended March 31, 2021.

NOTE 16 – INCOME TAXES

The income tax (provision) benefit for the periods shown consist of the following:

	2021	2020
Current		
US Federal	\$ -	\$ -
US State	-	-
Total current provision	-	-
Deferred		
US Federal	582,724	2,678,176
US State	137,276	630,916
Total deferred benefit	720,000	3,309,092
Change in valuation allowance	(720,000)	(3,309,092)
Income tax (provision) benefit	\$ -	\$ -

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The reconciliation of income tax expense computed at the U.S. federal statutory rate of 21% to the income tax provision for the years ended March 31, 2021 and 2020 is as follows:

	<u>2021</u>		<u>2020</u>	
Computed tax expense	\$ (1,572,832)	21%	\$ (3,056,903)	21%
State taxes, net of Federal income tax benefit	(352,015)	5%	(684,164)	5%
Change in valuation allowance	720,000	(10%)	3,309,092	(23%)
Employee stock awards	372,742	(5%)	231,692	(2%)
Stock grants	71,596	(1%)	137,477	(1%)
Stock for services	438,828	(6%)	90,541	(1%)
Rent expense	660	0%	13,358	0%
Non-deductible meals & entertainment	13,709	0%	7,833	0%
Stock and warrants on note conversion	338,082	(5%)	-	0%
Contingent consideration fair value	(30,770)	0%	(48,926)	0%
Total provision for income taxes	<u>\$ -</u>		<u>\$ -</u>	

The Company's effective tax rates were 0% and 0% for the years ended March 31, 2021 and 2020, respectively. During the year ended March 31, 2021, the effective tax rate differed from the U.S. federal statutory rate primarily due to the change in the valuation allowance.

Significant components of the Company's deferred tax liabilities and assets at March 31, 2021 and March 31, 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Deferred tax assets		
Net operating loss carryforward	\$ 8,119,764	\$ 7,571,092
Loss on purchase	801,366	544,366
Other	442,953	211,158
Total deferred tax assets	<u>\$ 9,364,083</u>	<u>\$ 8,326,616</u>
Deferred tax liabilities		
Depreciation expense	\$ (1,377,238)	\$ (1,059,771)
Other	-	-
Total deferred tax liabilities	<u>\$ (1,377,238)</u>	<u>\$ (1,059,771)</u>
Net deferred tax assets	\$ 7,986,845	\$ 7,266,845
Valuation allowance	(7,986,845)	(7,266,845)
	<u>\$ -</u>	<u>\$ -</u>

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. The Company considers the scheduled reversal of deferred tax assets, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available and due to the last years significant losses there is substantial doubt related to the Company's ability to utilize its deferred tax assets, the Company recorded a full valuation allowance of the deferred tax asset. For the years ended March 31, 2021 and 2020, the valuation allowance has increased by \$720,000 and \$3,309,092, respectively.

At March 31, 2021, the Company had Federal net operating loss carry forwards ("NOLs") for income tax purposes of \$31,594,411. A valuation allowance has been provided for the deferred tax asset as it is uncertain whether the Company will have future taxable income. There were \$5,144,926 of NOLs generated prior to 2018 will begin to expire in 2036. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed in to law on March 27, 2020, provided that NOLs generated in a taxable year beginning in 2018, 2019, or 2020, may now be carried back five years and forward indefinitely. In addition, the 80% taxable income limitation is temporarily removed, allowing NOLs to fully offset net taxable income. In accordance with Section 382 of the Internal Revenue Code, the future utilization of the Company's net operating loss to offset future taxable income may be subject to an annual limitation as a result of ownership changes that may have occurred previously or that could occur in the future. The Company does not believe that such an ownership change has occurred to date.

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The Company accounts for uncertain tax positions in accordance with ASC No. 740-10-25. ASC No. 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC No. 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. To the extent that the final tax outcome of these matters is different than the amount recorded, such differences impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense. ASC No. 740-10-25 also requires management to evaluate tax positions taken by the Company and recognize a liability if the Company has taken uncertain tax positions that more likely than not would not be sustained upon examination by applicable taxing authorities. The Company has evaluated tax positions taken by the Company and has concluded that as of March 31, 2021 and 2020, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability that would require disclosure in the financial statements.

The Company has never had an Internal Revenue Service audit; therefore, the tax periods ended December 31, 2016, December 31, 2017 and March 31, 2018, 2019, 2020, and 2021 are subject to audit.

NOTE 17 – INTANGIBLE ASSETS

	March 31, 2021			
	Life	Licenses	Patent	Other Intangible Assets
Licensing Agreement – Jesse James	5	\$ 125,000	\$ -	\$ -
Licensing Agreement – Jeff Rann	5	125,000	-	-
Streak Visual Ammunition patent	11.2	-	950,000	-
SWK patent acquisition	15	-	6,124,005	-
Jagemann Munition Components:				
Customer Relationships	3	-	-	1,450,613
Intellectual Property	3	-	-	1,543,548
Tradename	5	-	-	2,152,076
		250,000	7,074,005	5,146,237
Accumulated amortization – Licensing Agreements		(208,333)	-	-
Accumulated amortization – Patents		-	(1,054,438)	-
Accumulated amortization – Intangible Assets		-	-	(2,925,279)
		\$ 41,667	\$ 6,019,567	\$ 2,220,958

Intangible assets consisted of the following:

	March 31, 2020			
	Life	Licenses	Patent	Other Intangible Assets
Licensing Agreement – Jesse James	5	\$ 125,000	\$ -	\$ -
Licensing Agreement – Jeff Rann	5	125,000	-	-
Streak Visual Ammunition patent	11.2	-	950,000	-
SWK patent acquisition	15	-	6,124,005	-
Jagemann Munition Components:				
Customer Relationships	3	-	-	1,450,613
Intellectual Property	3	-	-	1,543,548
Tradename	5	-	-	2,152,076
		250,000	7,074,005	5,146,237
Accumulated amortization – Licensing Agreements		(158,333)	-	-
Accumulated amortization – Patents		-	(561,096)	-
Accumulated amortization – Intangible Assets		-	-	(1,435,030)
		\$ 91,667	\$ 6,512,909	\$ 3,649,404

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Annual amortization of intangible assets for the next five fiscal years are as follows:

Years Ended March 31,	Estimates for Fiscal Year
2022	\$ 1,915,814
2023	923,782
2024	903,055
2025	493,342
2026	493,342
Thereafter	3,552,857
	\$ 8,282,192

NOTE 18 - SUBSEQUENT EVENTS

Gunbroker.com

On April 30, 2021, the Company, entered into an agreement and plan of merger (the “Merger Agreement”), by and among the Company, SpeedLight Group I, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company (“Sub”), Gemini Direct Investments, LLC, a Nevada limited liability company (“Gemini”), and Steven F. Urvan, an individual (the “Seller”), whereby Sub merged with and into Gemini, with Sub surviving the merger as a wholly owned subsidiary of the Company (the “Merger”). Capitalized terms not defined in this report have the meaning assigned to them in the Merger Agreement. At the time of the Merger, Gemini had nine (9) subsidiaries, all of which are related to Gemini’s ownership of the Gunbroker.com business. Gunbroker.com is a large online auction marketplace dedicated to firearms, hunting, shooting, and related products. The Merger was completed on April 30, 2021.

In consideration of the Merger, on the terms and subject to the conditions set forth in the Merger Agreement, on the Effective Date, (i) the Company assumed an aggregate amount of indebtedness of Gemini and its subsidiaries equal to \$50,000,000; and, (ii) the issued and outstanding membership interests in Gemini, held by the Seller, automatically converted into the right to receive (A) \$50,000,000, and (B) 20,000,000 shares of common stock of the Company, \$0.001 par value per share (the “Stock Consideration”).

In connection with the Merger Agreement, the Company and the Seller agreed that the Stock Consideration consisted of: (a) 14,500,000 shares issued without being held in escrow or requiring prior stockholder approval; (b) 4,000,000 shares issued subject to the Pledge and Escrow Agreement (as defined and described in the Merger Agreement); and (c) 1,500,000 shares that will not be issued prior to the Company obtaining stockholder approval for the issuance.

Series A Preferred Stock

On May 19, 2021, we entered into an underwriting agreement with Alexander Capital, L.P., as representative of the several underwriters identified therein (collectively, the “Preferred Underwriters”), relating to a firm commitment public offering of 1,097,200 newly issued shares of our 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock (the “Series A Preferred Stock”) at a public offering price of \$25.00 per share. Under the terms of the underwriting agreement, we granted the Underwriters a 45-day option to purchase up to an additional 164,580 shares of Series A Preferred Stock from us.

The closing of the offering took place on May 21, 2021.

The gross proceeds to us from the sale of 1,097,200 shares of Series A Preferred Stock, before deducting underwriting discounts and commissions and estimated offering expenses payable by us, was approximately \$27.4 million.

On May 25, 2021, Alexander Capital, L.P. exercised its previously announced over-allotment option to purchase 164,580 shares of Series A Preferred Stock pursuant to that certain Underwriting Agreement dated May 19, 2021, by and between us and Alexander Capital, L.P., as representative of the several underwriters identified therein. We closed the exercise of the over-allotment option on May 27, 2021. The gross proceeds from the exercise of the over-allotment option were approximately \$4.1 million, before deducting underwriting discounts and commissions.

On May 25, 2021, we entered into an additional underwriting agreement with Alexander Capital, L.P. relating to a firm commitment public offering of 138,220 newly issued shares of our 8 Series A Preferred Stock at a public offering price of \$25.00 per share.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and March 31, 2020

The closing of the offering took place on May 27, 2021.

The gross proceeds to us from the sale of 138,220 shares of Series A Preferred Stock, before deducting underwriting discounts and commissions and estimated offering expenses payable by us, were approximately \$3.5 million

Common Stock Issuances

From April 16, 2021 to June 8, 2021, we issued shares of our Common Stock for the exercise of warrants. There were 185,268 shares of Common Stock issued for warrants exercised at per share prices ranging from \$1.65 to \$2.63 for an aggregate value of \$391,689.

Subsequent to March 31, 2021, we issued 25,000 shares of Common Stock to employees as compensation for a total value of \$87,500.

We evaluated subsequent events through the date the financial statements were issued, and determined that there are not any other items to disclose.

SUBSIDIARIES

Ammo, Inc., a Delaware corporation, had the subsidiaries shown below as of June 25, 2021. Ammo, Inc. is not a subsidiary of any other entity.

Name	Jurisdiction
Ammo Munitions, Inc.	Delaware
Ammo Technologies Inc.	Arizona
Enlight Group II, LLC d/b/a Jagemann Mmunition Components	Delaware
Firelight Group I, LLC	Delaware
SNI LLC	Arizona
Speedlight Group I, LLC	Delaware
GB Investments, Inc. (wholly owned subsidiary of Speedlight Group I, LLC)	Delaware
IA Tech, LLC (wholly owned subsidiary of GB Investments, Inc.)	Delaware
Cloud Catalyst Technologies, LLC (wholly owned subsidiary of IA Tech, LLC)	Delaware
Enthusiast Commerce, LLC (wholly owned subsidiary of IA Tech, LLC)	Delaware
Outdoors Online, LLC f/k/a GunBroker.com, LLC (wholly owned subsidiary of IA Tech, LLC)	Delaware
S&T Logistics, LLC (wholly owned subsidiary of IA Tech, LLC)	Delaware
Outdoor Liquidators, LLC (wholly owned subsidiary of Enthusiast Commerce, LLC)	Delaware
Outsource Commerce, LLC (wholly owned subsidiary of Enthusiast Commerce, LLC)	Delaware
RightFit Direct, LLC (wholly owned subsidiary of Enthusiast Commerce, LLC)	Delaware

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Fred W. Wagenhals, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ammo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 29, 2021

By: /s/ Fred W. Wagenhals

Name: Fred W. Wagenhals

Title: Chief Executive Officer (Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Rob Wiley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ammo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 29, 2021

By: /s/ Robert D. Wiley

Name: Robert D. Wiley

Title: Chief Financial Officer (Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Annual Report of AMMO, Inc. (the “ Company”) on Form 10-K for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Fred W. Wagenhals, Chief Executive Officer (Principal Executive Officer) of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2021

By: /s/ Fred W. Wagenhals

Name: Fred W. Wagenhals

Title: Chief Executive Officer (Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Annual Report of AMMO, Inc. (the “ Company”) on Form 10-K for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Robert D. Wiley, Chief Financial Officer (Principal Financial Officer) of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2021

By: /s/ Robert D. Wiley

Name: Robert D. Wiley

Title: Chief Financial Officer (Principal Financial Officer)

