Annual Report
for fiscal year ending
March 31, 2023

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, 2023**

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	**001-13101**	**83-1950534**
(State of incorporation)	(Commission File No.)	(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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth 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. ☒

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

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

Indicate by check mark 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, 2022) was $258,196,798.

As of June 9, 2023, there were 117,580,758 shares of $0.001 par value Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the definitive proxy statement for the registrant's 2023 Annual Meeting of Stockholders to be filed within 120 days after the end of the registrant's fiscal year.

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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; (b) “2024 fiscal year” refers to the year that will end on March 31, 2024; and (c) “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, 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

Ammo Inc. is a conglomerate of two premium positions in the shooting sports industry. Ammo Inc. started in ammunition manufacturing and in 2021 broadened its portfolio with the acquisition of Gunbroker.com. Gunbroker.com is an ecommerce marketplace that connects buyers and sellers with new/used firearms and ancillary gear and componentry for the firearm community. Gunbroker.com helps facilitate this community with a state and federal compliant solution that connects buyers with sellers across the US with their local federally licensed firearm dealers. This allows our base of approximately 7.8 million users to follow ownership policies and regulations through our network of over 35,000 federally licensed firearms dealers as transfer agents. The nature and operation of the Marketplace as an online auction and sales platform also affords our Company a unique view into the total domestic market for the purpose of understanding sales trends at a granular level across all elements of the outdoor and sports shooting space.

Reportable Segments

We operate our business within two operating segments. Our Chief Executive Officer reviews financial performance based on two operating segments as described below.

- Ammunition – which consists of our manufacturing business. The Ammunition segment engages in the design, production and marketing of ammunition, ammunition component and related products.
- Marketplace – which consists of the GunBroker.com Ecommerce marketplace. In its role as an auction site, GunBroker.com supports the lawful sale of firearms, ammunition and hunting/shooting accessories.

See Note 19 of our consolidated financial statements for more information regarding our reportable segments.

Marketplace Segment - 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 does not hold any inventory and serves to facilitate transactions between buyers and sellers. 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 offering a compliant solution to transact online. GunBroker.com has approximately 7.8 million registered users and averages over 1.8 million items listed for sale on its site on a daily basis.

Our vision is to expand the services on GunBroker.com and to become a partner to those in our industry. In the short term, we will be implementing the following services;

- Payment Processing – facilitating payment between parties allowing sellers of all sizes to offer fast and secure electronic payments and allowing buyers to experience the ease of instant checkout using a single platform for payment of all items purchased.

- Carting Ability – enables our buyers to checkout multiple items from multiple sellers in a single transaction. Our buyers will be able finalize transactions including both regulated and nonregulated items, allowing one payment, while also affording them the ability to ship their purchases to more than one location. By way of example, a buyer will be able to complete a transaction with a single payment, ship regulated items to a registered federal firearms license dealer, and also ship nonregulated items directly to their address.

- GunBroker.com Analytics – launched in January 2023 through the compilation and refinement of vast Marketplace data, we offer ecommerce market analytics to our industry peers allowing them to better manage business strategy and planning.

- GunBroker.com Advertising – effective as of January 2023 we offer additional resources to our seller community to promote their seller stores within GunBroker.com as well as the products they supply. Content creation for manufactures, email campaigns and banner ads are all part of our advertising offerings that are ever evolving resources to the outdoor industry.

Enhance Market Share, Brand Recognition, and Customer Loyalty

Our work to enhance and simplify the user experience on the GunBroker.com marketplace platform, while adding to its merchandise and related offerings, is designed to enhance the GunBroker.com brand by ensuring customer (both buyers and sellers) adhesion is amplified as they access one of the largest single on-line destinations for outdoor and shooting sports enthusiasts within the US market.

Ammunition Segment – Manufacturing

Our manufacturing operations are currently based out of Manitowoc, Wisconsin. We manufacture small arms ammunition and their components for the commercial, military, and law enforcement community. Our core competency lies in our ability to deep draw rifle brass casings with a high degree of precision up to 50 caliber. Our capacities are dependent upon mix, labor and the number of shifts we are running but our case capacity resides in excess of 750 million to 1.0 billion pieces based on full utilization of the factory. 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 Manitowoc.

We are focused on manufacturing premium pistol and rifle ammunition and supporting industry partners for manufactured components. We will continue to leverage our proprietary brands like Streak Visual Ammunition™ and Stelth subsonic ammunition and extend our product offering with premium rifle lines and brands. We also support the US military with our cutting-edge developmental ammunition programs as we seek out and effectively execute upon new governmental-based opportunities. Our production processes focus on safety, consistency, precision, and cleanliness. Each round is developed for consistency, velocity, accuracy, and repeatability. Each round is chamber gauged and inspected with redundant seven-step quality control processes and meet and exceed SAAMI and CIP standards.

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 and embracing the data we have in Gunbroker.com to allow us to see growing trends and demands form the US customer base.

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 research and development activities continue to drive opportunity and market attractiveness for our brands. We balance our R&D prowess with best-in-class operational efficiencies and continue to drive our cost down through rigorous continuous improvement initiatives.

Continue to Strengthen Relationships with Channel Partners and Retailers.

We continue to strive to strengthen our relationships with our current distributors, specialty retailers, dealers, and OEM manufacturers. The success of our efforts depends on new caliber introduction, innovation in our operations, quality, performance of our products, attractiveness of our retail packaging, and the guarantees we bring to our user community through our customer support efforts.

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 basis and by offering effective customer service, training, and support for the user community. We regard the features, quality, and performance of our products as the most important components of our customer satisfaction and loyalty efforts.

Continuously Improving Operations

We continue our efforts to enhance our production and lean out our operations by increasing daily production quantities through equipment acquisition, shift expansion, process improvements, increased operational availability of our equipment, and increased overall efficiency. Further, the Company opened its new state-of-the-art manufacturing plant in Manitowoc, WI. The opening and full operation of this new plant has positioned Ammo Inc. to be the leader in brass case supply to the OEM market and under the many brands we go to market under. The plant will allow us to exponentially increase capacity through the end of calendar 2023 and into 2024.

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 polymer 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. 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. 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 base 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.

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 ammunition comes in 9mm, 40 S&W, and 45 ACP, 223, and 300BLK.

JMC

Through Jagemann Munitions Components ("JMC"), we offer ammunition casings for pistol and 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.

Marketing

We market our products and services to consumers through distributors, dealers, mass market, and specialty retailers. 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.

Product Innovation and Development

The Company was founded on delivering new and innovative products such as Streak to the industry. Since initiating operations in 2017 and has developed proprietary products for the commercial and military sectors. We continue this passion with developing new calibers and products to meet and create market demand. The core competency of our manufacturing facility lies in its ability to deep draw rifle cases. Our goal is to fill the capacity of our new facility with innovative products around this core competency. In our 2024 fiscal year, we will be delivering on calibers with high demand in premium segments of the market such as 7mm PRC, 35 Whelan, 350 Legend, and 45-70 both in our AMMO, Inc. Signature lines as well as brass for OEM manufacturers. We will provide our ammunition customers with a stronger line up of high precision hunting cartridges and continue to deliver to the OEM market with an offering that provides our customers the ability to reach their fullest potential. The competition will continue to fight for shelf space at retail and our market continues to normalize so we must default to new caliber design and introduction to create brand strength, market positioning, and loyalty. We will continue to push into niche markets to find margins and create opportunities for our newfound capacity at the new 185,000 sq ft facility in Manitowoc. We do all this while following strict industry standards to ensure we deliver safe and effective products to our customers. We will continue to add talent and engage best in class resources to enable AMMO, Inc. to continue down this path.

Since the acquisition, we have evolved the GunBroker.com marketplace to push best in class ecommerce standards. By streamlining customer service, we push proactive customer engagement based around outreach to the seller and buyer community. We are in the final testing stages of a centralized payment system that will allow all, including smaller sellers, merchant processing and carting ability for the entire platform. Centralized payment processing will allow for advanced fraud prevention, reduce manual reviews & reductions in chargebacks for the seller community. There is continued development around listing processes and communication flow between buyers and sellers, as well as optimization of the immense amount of self-data. We currently use our platform data to present personalized marketing campaigns to the user base and will continue to evolve how we engage with our customer base. Marketing, Analytics, and Advertising programs have been instrumental in the success of the prior year, we are continuing to build out teams and structure for our aggressive go to market campaigns for this fiscal year.

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 or general and administrative expenses if the product has not been brought to market.

Suppliers

We purchase certain 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 continue to broaden our supplier base and secure multiple sources for all the raw materials and components we require.

Customers

We sell our products through distribution, “Big Box” retailers, manufacturers, specialty retailers, local ammunition stores, and shooting range operators. 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 four primary product lines: AMMO Inc. Signature, STREAK VISUAL AMMUNITION™, Stelth, and JMC.

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, Fiocchi Ammunition, Hornady Manufacturing Company, PMC, Rio Ammunition, and Wolf.

Human Capital

As of June 9, 2023, we had a total of 342 employees. Of these employees, 236 were engaged in manufacturing, 31 in sales, marketing and customer service, 34 in research and development, manufacturing engineering, and software engineering, and 41 in various corporate and administrative functions (information technology, accounting, executives, etc.). None of our employees are represented by a union in collective bargaining with us. We believe that our employee relations are good.

Our human capital proposition is centered around a team-oriented work environment that promotes a culture that fosters engagement, hard work, a desire to win, and accountability. At our core, we strive to attract, develop, and retain employees that want to be a part of a dynamic workforce centered around delivering new products and services to our passionate userbase. We value diversity, engagement, and unique viewpoints that enable us to excel in the marketplace.

Seasonality

Our business has not exhibited a material degree of seasonality to date but as we move into more rifle production and strive to meet our customers projections and needs, seasonality will have a larger effect on our sales pipeline. Our net sales could be moderately higher in our second and third fiscal quarters because of the fall hunting and holiday seasons.

Intellectual Property

We believe our tradenames, trademarks, and service markets 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 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. While the parties have agreed that, effective January 1, 2022, the A&R License Agreement was extended to January 1, 2026, the parties are still finalizing the documentation of this extension via the signing of an amendment. On July 7, 2022, the Company and the Licensor entered into a Second Amendment to Amended and Restated Exclusive License Agreement, effective as of January 1, 2022 (the "Second Amendment"). Pursuant to the Second Amendment, the term of the Original License Agreement is extended for a period of four (4) years from the date of the start of the current term, such that the term will expire on January 1, 2026.

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 April 12, 2027 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.

Through our acquisition of SW Kenetics, 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, 2023, the Company has made $350,000 in payments. As of March 31, 2023, 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.

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 U.S. 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.

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.

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. In the year ended March 31, 2023, we believe that general economic conditions and consumer spending patterns negatively impacted our operating results because consumers bought fewer discretionary items such as our products. These economic conditions included, but were not limited to, declines in consumer confidence and increases in consumer debt levels. In times of economic uncertainty, consumers tend to defer expenditures for discretionary items, which affects demand for our products. 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. We believe that one of the reasons our sales went down in the year ended March 31, 2023 as compared to the year ended March 31, 2022 was due to decreased demand. We believe there was heightened demand for our products during the year ended March 31, 2022 due to the pandemic and the political environment. 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 has been 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.

In building our main new manufacturing facility in Manitowoc, Wisconsin, the delivery of some of the main components needed in the building process were delayed due to supply chain disruptions. These delays caused our manufacturing capacity to be lower than it otherwise would have been causing a drop in sales in the year ended March 31, 2023, but have since been corrected.

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.

Worldwide economic and social instability could adversely affect our revenue, financial condition, or results of operations.

The health of the global economy, and the credit markets and the financial services industry in particular, as well as the stability of the social fabric of our society, affects our business and operating results. For example, the credit and financial markets may be adversely affected by the current conflict between Russia and Ukraine and measures taken in response thereto. If the credit markets are not favorable, we may be unable to raise additional financing when needed or on favorable terms. Our customers may experience financial difficulties or be unable to borrow money to fund their operations, which may adversely impact their ability to purchase our products or to pay for our products on a timely basis, if at all.

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 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 parties participated in a successful mediation at the end of June 2022 and all matters relating to this former employee/claimant were confidentially resolved with the lawsuit dismissed with prejudice. The settlement was covered by our Employment Practices Liability Policy and did not amount to a material amount.

On April 30, 2023, Director and shareholder Steve Urvan filed suit in the Delaware Chancery Court against the Company, certain Directors, former directors, employees, former employees and consultants, seeking rescission of the Company's acquisition of GunBroker.com and certain affiliated companies. Plaintiff Urvan's claims include rescission, misrepresentation and fraud. The Company is currently in communications with its insurance carriers as concerns coverage (defense and indemnification), has engaged counsel and formal/legal service of process is being coordinated at this time. The Company and named defendants are in alignment and reasonably believe at this date that the claims are without merit and the Company has engaged Delaware Chancery Court litigation specialists to defend its interests in all respects in this case.

The claims made by Mr. Urvan 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.

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, 2023, 2022, and 2021. 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.

Our manufacturing operations are currently based out of two facilities in Manitowoc, Wisconsin and are critical to our success, as we currently produce all of our products at these facilities. These facilities also house our principal research, development, engineering, and design functions.

Any event that causes a disruption to 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 have incurred significant capital and other expenditures with respect to our $26 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. In addition, adverse economic conditions, such as recent supply chain disruptions and labor shortages and persistent inflation, have impacted, and may continue to adversely impact our suppliers' ability to provide us with materials and components, which may negatively impact our business. These economic conditions make it more difficult for us to accurately forecast and plan our future business activities.

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 12% of our revenues for the years ended March 31, 2023 in comparison to two customers that accounted for approximately 18% of our revenues for the year ended March 31, 2022 and one customer that accounted for approximately 17% of our revenues for the year ended March 31, 2021. 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.

General inflation, including rising energy prices, and interest rates and wages could have negative impacts on our business by increasing our operating costs and our borrowing costs as well as decreasing the capital available for our customers to purchase our products. General inflation in the United States, Europe and other geographies has risen to levels not experienced in recent decades. Additionally, inflation and price volatility may cause our customers to reduce use of our products would harm our business operations and financial position.

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. 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 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 lead 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 effect on our stock, and negatively impact the price of our Common Stock.

As of June 9, 2023, we had 2,460,946 warrants outstanding with a weighted average exercise price of $2.46. As of June 9, 2023, there were no options outstanding and 1,428,659 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, 2023, our management identified material weaknesses in our internal control over financial reporting. The Company failed to maintain an effective control environment due to the following:

- the Company's management and the governance did not maintain appropriately designed entity-level controls impacting the control environment to prevent or detect material misstatements to the consolidated financial statements. These deficiencies were attributed to limited personnel to assist with the accounting and financial reporting function and inadequate oversight and accountability over the performance of control activities, including establishment of a Whistleblower Hotline and lack of formalization of certain key governance elements: management delegation, annual board committee charter review, acknowledgement of code of conduct, and approval of the annual budget;

- the Company failed to maintain properly designed segregation of duties, both within manual processes and system access;

- the Company failed to maintain effectively designed controls over journal entries, both recurring and nonrecurring, account reconciliations, and periodic flux analysis. Journal entries were not always accompanied by sufficient supporting documentation and were not adequately reviewed and approved for validity, completeness, and accuracy. In most instances, persons responsible for reviewing journal entries and account reconciliations for validity, completeness, and accuracy were also responsible for preparation.

- the Company failed to maintain effectively designed controls over the period-end financial reporting process, including adequate tie-out and review of documentation that supports the financial statements; and

- the Company failed to maintain effectively designed controls over information technology general controls in the areas of user provisioning and de-provisioning, application change management, operating system and logical access controls, and segregation of duties for information technology (“IT”) systems that supports the Company’s financial reporting process.

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 cyclicality 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, holders of 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, 2023, our total liabilities equaled approximately $38.9 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 is listed on Nasdaq under the symbol "POWWP." We cannot assure you 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 in recent years have been 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 $20,000 per month. This space houses our principal executive, administration, and marketing functions.

We lease a 10,000 square foot facility located in Atlanta, Georgia for approximately $19,000 per month. This space houses our GunBroker.com offices and operations.

We lease a 36,000 square foot facility located in Manitowoc, Wisconsin for approximately $10,000 per month. We utilize this facility for manufacturing and packaging.

We lease a 5,000 square foot facility located in Marietta, Georgia for approximately $3,000 per month. The purpose of this space is for warehousing related to our GunBroker.com operations.

We own a 185,000 square foot facility in Manitowoc, Wisconsin. Since our second fiscal quarter in the year ended March 31, 2023, we have utilized this facility for ammunition and casing manufacturing, research and development, packing, and shipping activities. A portion of this facility was financed by our Construction Loan. The terms of the Construction Loan are documented in Note 11 of our financial statements.

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".

Holders of Common Equity

As of June 9, 2023, there were 117,580,758 shares of $0.001 par value Common Stock outstanding and there were approximately 290 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. We paid preferred dividends on our Series A Preferred Stock in the amount of $3.0 million for the year ended March 31, 2023.

We currently have $0.1 million of unpaid accrued dividends on our Series A Preferred Stock as of the date of this filing. Accordingly, we may not be able to declare a dividend on our Common Stock unless full cumulative dividends on the Series A Preferred Stock have been or contemporaneously are declared and paid or declared.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of March 31, 2023 with respect to our compensation plans under which equity securities may be issued.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
2017 Equity Incentive Plan	-	-	1,946,929
Total	-	-	1,946,929

Transfer Agent

We have appointed Securities Transfer Corporation ("STC") as the transfer agent for our Common Stock and Series A Preferred Stock. The principal office of STC is located at 2901 N. Dallas Parkway, Suite 380 Plano, Texas 75093, and its telephone number is (469) 633-0101.

Recent Sales of Unregistered Securities

None.

Issuers Repurchase of Equity Securities

On February 8, 2022, we announced that our Board of Directors authorized a share repurchase program for up to $30 million of our outstanding common stock. On March 28, 2023, we announced that our Board of Directors authorized the extension of our repurchase program until February 2024.

The following table summarizes our share repurchases under our repurchase program for our fourth fiscal quarter of our 2023 fiscal year:

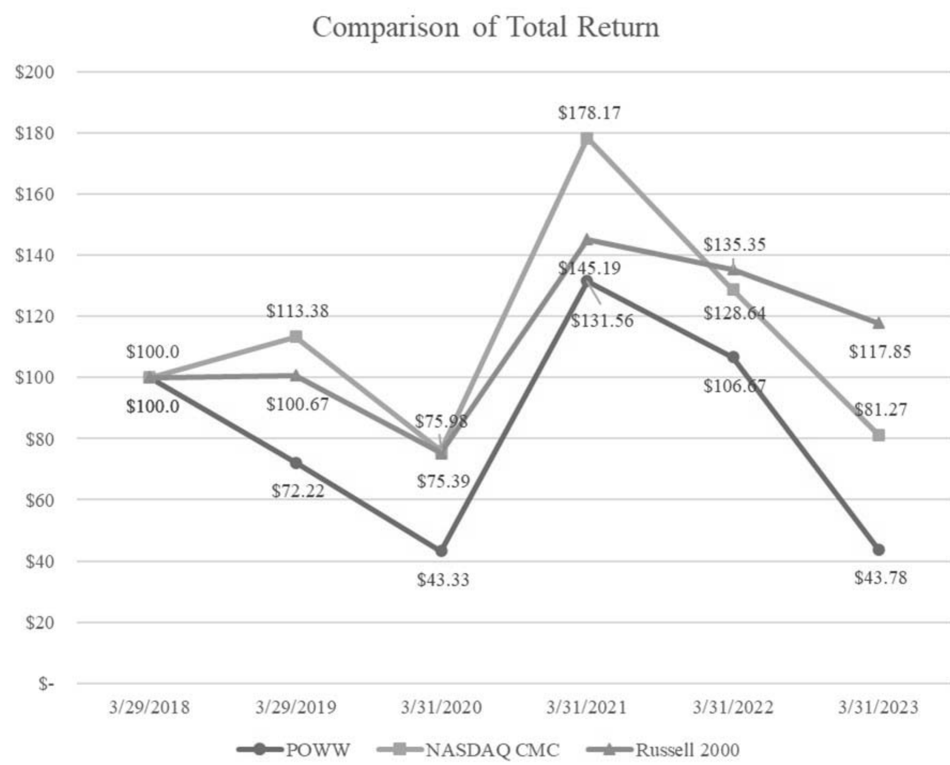
Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plan or Programs	Maximum Number of Shares that may yet be Repurchased Under the Plan or Programs (1)
March 2023	118,328	1.93	118,328	
Total	118,328	-	118,328	14,963,235

(1) As reported on the Current Report on Form 8-K filed with the Commission on December 6, 2022, we initiated our Common Stock share repurchase program in December of 2022. We previously reported the repurchase of 150,000 shares of our Common Stock under this plan. The maximum number of shares that may yet be repurchased included herein is determined based on the closing price of our Common Stock of $1.97 on March 31, 2023. This amount may change based on the price that our Common Stock trades at.

As of June 9, 2023, approximately 1 million shares have been repurchased in total. The current plan is in effect until February 2024 and the remaining funds available to the Company pursuant to the repurchase plan is approximately $28 million.

Performance Graph

The following graph compares the cumulative total stockholder return of our common stock (Nasdaq: POWW) in comparison to the cumulative total return of the NASDAQ Capital Market Composite (“NASDAQ CMC”) and the Russell 2000 Index (“Russell 2000”) for the period from March 31, 2018 through March 31, 2023. The graph assumes an investment of $100 in our common stock and in each of the indexes on March 31, 2018. The calculation of cumulative stockholder return on the NASDAQ CMC and Russell 2000 include reinvestment of dividends, but the calculation of cumulative stockholder return on our common stock does not include reinvestment of dividends because we did not pay any dividends during the measurement period. The performance shown is not necessarily indicative of future performance.



ITEM 6. RESERVED

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

AMMO, Inc., owner of the GunBroker.com Marketplace, the largest online marketplace serving the firearms and shooting sports industries, and a vertically integrated producer of high-performance ammunition and premium components began its operations in 2016.

Through our GunBroker.com Marketplace segment (acquired in April 2021), we allow third party sellers to list items consisting of firearms, hunting gear, fishing equipment, outdoor gear, collectibles, and much more on our site, while facilitating compliance with federal and state laws that govern the sale of firearms and restricted items. This allows our base of over 7.6 million users to follow ownership policies and regulations through our network of over 35,000 federally licensed firearms dealers as transfer agents. The nature and operation of the Marketplace as an online auction and sales platform also affords our Company a unique view into the total domestic market for the purpose of understanding sales trends at a granular level across all elements of the outdoor sports and shooting space. Our vision is to expand the services on GunBroker.com and to become a peer to those in our industry. In the short term, we will be implementing the following services;

- Payment Processing - facilitating payment between parties allowing sellers of all sizes to offer fast and secure electronic payments and allowing buyers to experience the ease of using a single form of payment for all items purchased,

- Carting Ability - allowing our buyers to purchase multiple items from multiple sellers at one point in time, and,

- GunBroker.com Analytics – through the compilation and refinement of vast Marketplace data, we plan to offer domestic market analytics to our industry peers to allow them to better manage their businesses.

Through our Ammunition segment, we are tailoring our focus to build a new future for our manufacturing operations focused on premium pistol and rifle ammunition and supporting industry partners for manufactured components. We will continue to leverage our proprietary brands like Streak Visual Ammunition™ and Stelth subsonic ammunition and extend our product offering with premium rifle lines and brands that complement our technologically innovative heritage. We also continue to ensure dynamic performance under the exacting standards of the US military complex in support of our cutting-edge developmental ammunition programs as we seek out and effectively execute upon new governmental-based opportunities.

Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. The following information should be read in conjunction with our consolidated financial statements included in this Annual Report beginning on page F-1.

Fiscal Year 2023 Compared to Fiscal Year 2022

Our financial results for the year ended March 31, 2023 reflect our newly positioned organization as we transition into our new manufacturing facility. 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 and marketplace. We continue to focus on growing our top line revenue and streamlining our operations. We continue to focus on growing our top line revenue, and streamlining our operations. We experienced a 20.3% decrease in our Net Revenues for the year ended March 31, 2023 compared with the year ended March 31, 2022. This was the result of decreased ammunition sales due to changes in market demand.

The following table presents summarized financial information taken from our consolidated statements of operations for the year ended March 31, 2023 compared with the year ended March 31, 2022:

	For the Year Ended	
	March 31, 2023	March 31, 2022
Net Sales	$ 191,439,801	$ 240,269,166
Cost of Revenues	136,031,204	151,505,657
Gross Margin	55,408,597	88,763,509
Sales, General & Administrative Expenses	58,667,516	51,614,147
Income (loss) from Operations	(3,258,919)	37,149,362
Other income (expense)		
Other income (expense)	(606,881)	(615,957)
Income (loss) before provision for income taxes	$ (3,865,800)	$ 36,533,405
Provision for income taxes	730,238	3,285,969
Net Income (Loss)	$ (4,596,038)	$ 33,247,436

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 loss, and other results under accounting principles generally accepted in the United States ("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 Quarterly Report on Form 10-Q 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 Year Ended March 31, 2023	For the Year Ended March 31, 2022
Reconciliation of GAAP net income to Adjusted EBITDA		
Net Income (Loss)	$ (4,596,038)	$ 33,247,436
Provision for income taxes	730,238	3,285,969
Depreciation and amortization	17,519,949	17,339,093
Interest expense, net	632,062	637,797
Employee stock awards	5,807,779	5,759,000
Stock grants	179,094	252,488
Stock for services	-	4,200
Warrants issued for services	213,819	718,045
Contingent consideration fair value	(63,764)	(385,750)
Other income	(25,181)	(21,840)
Proxy contest fees(1)	4,724,385	-
Other nonrecurring expenses(2)	1,248,865	-
Adjusted EBITDA	$ 26,371,208	$ 60,836,438

(1) Includes proxy contest fees of $910,000 for Employee Stock Awards issued as a result of the Settlement Agreement as discussed in Note 16 of our financial statements.
(2) Other nonrecurring expenses consist of professional and legal fees that are nonrecurring in nature.

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: provision or benefit for income taxes, depreciation and amortization, share-based or warrant-based compensation expenses, 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, and non-recurring expenses incurred as a result of a proxy contest as these items are not components of our core operations.

We have modified our Adjusted EBITDA calculation in the current period to remove the adjustment for Excise Taxes as we believe this is a better representation of our operations. In prior periods, we included an 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, 2023 and March 31, 2022. "Proprietary Ammunition" include those lines of ammunition manufactured by our facilities that are sold under the brand names: STREAK VISUAL AMMUNITION™ and Stelth. We define "Standard Ammunition" as non-proprietary ammunition that directly competes with other brand manufacturers. Our "Standard Ammunition" is manufactured within our facilities 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, 2023	March 31, 2022
Proprietary Ammunition	$ 10,779,035	$ 10,071,659
Standard Ammunition	103,337,009	151,387,366
Ammunition Casings	14,174,084	14,201,625
Marketplace Revenue	63,149,673	64,608,516
Total Sales	$ 191,439,801	$ 240,269,166

Sales for the year ended March 31, 2023 decreased 20.3%, or approximately $48.8 million from the prior year due to changes in market conditions. The decrease for period was largely the result of a decrease of $48.1 million in sales of bulk pistol and rifle ammunition, a decrease of $0.7 million of sales of Proprietary Ammunition, a decrease of $0.1 million of our casing sales, and a decrease of $1.5 million generated from our marketplace, GunBroker.com, which includes auction revenue, payment processing revenue, and shipping income. Management expects the sales growth rate of Proprietary Ammunition to greatly 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.

Through our acquisition of SWK, the Company has developed and deployed a 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. 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. The Company has since developed the ballistic match (BMMPR) and signature-on-target (SoT) rounds under contract with the U.S. Government in support of US special operations which have been publicly announced pursuant to governmental authorization. Additional work continues in support of the military operations of the U.S. and its ally military components which is not currently subject to disclosure.

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 June 16, 2022, 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 Revenues

Cost of Revenues decreased by approximately $15.5 million from $151.5 million to $136.0 million for the year ended March 31, 2023 compared to the comparable period ended in 2022. This was the result of a significant decrease in net sales as well increases to non-cash depreciation related to increases in production equipment, expensing of increased labor, overhead, and raw materials used to produce finished product during 2023 as compared to 2022.

Gross Margin

Our gross margin percentage decreased to 28.9% from 36.9% during the year ended March 31, 2023 as compared to the same period in 2022. This was a result of increased cost of materials, labor, and overhead in our ammunition segment, which was offset by our marketplace, GunBroker.com which, by nature has significantly higher margins than our manufactured products.

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™, 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 operation of our ammunition segment 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, 2023, our operating expenses increased by approximately $7.1 million and increased as a percentage of sales from 21.5% to 30.6% in comparison to the year ended March 31, 2022. Our operating expenses include non-cash depreciation and amortization expense of approximately $13.3 million. For the year ended March 31, 2023, we incurred additional expenses in the amounts of $5.6 million related to a proxy contest, of which $0.9 million was included non-cash stock compensation, and $1.2 million of nonrecurring expenses. Our operating expenses also consisted of commissions related to our sales, legal and professional fees, 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. Operating expenses for the year ended March 31, 2023 and 2022 included noncash expenses of approximately $19.5 million and $20.1 million, respectively.

During the year ended March 31, 2023, our selling and marketing expenses decreased by approximately $2.6 million. The decrease was primarily related to decreases in sales commission due to the decrease in the sale of our products.

Our corporate general & administrative expenses increased approximately $8.0 million in the year ended March 31, 2023 from the comparable prior period due to $6.6 million of respective legal and professional fees and expenses largely related to our proxy contest and $1.2 million of nonrecurring expenses.

Employee salaries and related expenses increased approximately $2.1 million for the year ended March 31, 2023 compared to the comparable period ended in 2022. The increase when compared to the prior period, was primarily related to $2.1 million of additional payroll expenses incurred as a result of payments due upon termination without cause as a result of the proxy contest and the addition of employees in our Marketplace.

Depreciation and amortization expenses for the year ended March 31, 2023 decreased by approximately $0.4 million in comparison to the prior year period.

Interest and Other Expenses

For the year ended March 31, 2023, interest expense remained constant compared with year ended March 31, 2022. The change from the prior periods was mainly due to increases related to our Construction Note Payable of approximately $0.3 million and decreases in activity related to our Factoring Liability and our Inventory Credit Facility of approximately $0.3 million.

Income Taxes

For the year ended March 31, 2023, we recorded a provision for federal and state income taxes of approximately $0.7 million in comparison to $3.3 million in the prior year period ended March 31, 2022. The decreases was related to a decrease in Net Income(Loss) before Taxes.

Net Income

We ended the year ended March 31, 2023 with a net loss of approximately $4.6 million compared with a Net Income of approximately $33.2 million for the year ended March 31, 2022.

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

Fiscal Year 2022 Compared to Fiscal Year 2021

Results of Operations

We experienced an increase in our gross profit margin for the year ended March 31, 2022. This was the result of our newly acquired marketplace, GunBroker.com which, by nature has significantly higher margins than our manufactured products.

The following table presents summarized financial information taken from our consolidated statements of operations for the year ended March 31, 2022 compared with the year ended March 31, 2021:

	For the Year Ended	
	March 31, 2022	**March 31, 2021**
Net Sales	$ 240,269,166	$ 62,482,330
Cost of Revenues	151,505,657	51,095,679
Gross Margin	88,763,509	11,386,651
Sales, General & Administrative Expenses	51,614,147	16,766,636
Income (loss) from Operations	37,149,362	(5,379,985)
Other income (expense)		
Other income (expense)	(615,957)	(2,432,309)
Income (loss) before provision for income taxes	$ 36,533,405	$ (7,812,294)
Provision for income taxes	3,285,969	-
Net Income (Loss)	$ 33,247,436	$ (7,812,294)

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 Year Ended March 31, 2022	For the Year Ended March 31, 2021
Reconciliation of GAAP net income to Adjusted EBITDA		
Net Income (Loss)	$ 33,247,436	$ (7,812,294)
Provision for income taxes	3,285,969	-
Depreciation and amortization	17,339,093	4,876,756
Interest expense, net	637,797	3,009,094
Employee stock awards	5,759,000	1,450,359
Stock grants	252,488	278,585
Stock for services	4,200	1,707,500
Warrants issued for services	718,045	-
Contingent consideration fair value	(385,750)	(119,731)
Other income	(21,840)	(576,785)
Loss on purchase	-	1,000,000
Adjusted EBITDA	$ 60,836,438	$ 3,813,484

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: provision or benefit for income taxes, depreciation and amortization, loss on purchase, share-based or warrant-based compensation expenses, 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 included an adjustments for our provision or benefit for income taxes.

We have modified our Adjusted EBITDA calculation in the current period to remove the adjustment for Excise Taxes as we believe this is a better representation of our operations. In prior periods, we included an 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; and
- 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, 2022 and March 31, 2021. “Proprietary Ammunition” include those lines of ammunition manufactured by our facilities that are sold under the brand names: STREAK VISUAL AMMUNITION™ and Stelth. We define “Standard Ammunition” as non-proprietary ammunition that directly competes with other brand manufacturers. Our “Standard Ammunition” is manufactured within our facilities 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, 2022	**March 31, 2021**
Proprietary Ammunition	$ 10,071,659	$ 5,340,823
Standard Ammunition	151,387,366	44,279,707
Ammunition Casings	14,201,625	12,861,800
Marketplace Revenue	64,608,516	-
Total Sales	$ 240,269,166	$ 62,482,330

Sales for the year ended March 31, 2022 increased 285% or $177.8 million over the year ended March 31, 2021. This increase was the result of our increased production capacity coupled with increased demand from our customers which resulted in approximately $107.2 million of increased sales in bulk pistol and rifle ammunition, an increase of approximately $4.7 million of respective sales of Proprietary Ammunition, an increase of approximately $1.3 million of sales from our casing operations and $64.6 million in respective revenue generated from our recently acquired marketplace, GunBroker.com, which includes auction revenue, payment processing revenue, and shipping income. Management expects the sales growth rate of Proprietary Ammunition to greatly outpace the sales of our Standard Ammunition.

Cost of Revenues

Cost of revenues increased by approximately $100.4 million from $51.1 million to $151.5 million, respectively for the year ended March 31, 2022 compared with the year ended March 31, 2021. 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 our 2022 fiscal year as compared to the 2021 fiscal year and additional cost of revenues from our recent acquisition of our marketplace, GunBroker.com. As a percentage of sales, cost of goods sold decreased by 22.8% when comparing the year ended March 31, 2022 to the year ended March 31, 2021.

Gross Margin

Our gross margin percentage increased to 36.9% from 18.2% during the year ended March 31, 2022 as compared to the same period in 2021. This was a result of the inclusion of our newly acquired marketplace, GunBroker.com which, by nature has significantly higher margins than our manufactured products.

Operating Expenses

Overall, for the year ended March 31, 2022, our operating expenses increased by approximately $34.8 million over the year ended March 31, 2021, but decreased as a percentage of sales from 26.8% for the year ended March 31, 2021 to 21.5% for the year ended March 31, 2022. The increase was primarily related to approximately $20.6 million of additional operating expenses following our merger with Gemini, including $12.1 million of depreciation and amortization expenses. Our operating expenses include non-cash depreciation and amortization expense of approximately $13.7 million for the year ended March 31, 2022. Our operating expenses consisted of commissions related to our sales increases, stock compensation expense associated with issuance of our Common Stock in lieu of cash compensation for employees, and board members, and key consultants for the organization during the period. Operating expenses for the years ended March 31, 2022 and 2021 included noncash expenses of approximately $20.1 million and $3.2 million, respectively. We expect to see administrative expenditures to continue to decrease as a percentage of sales in the 2023 fiscal year, as we leverage our work force and expand our sales opportunities.

During the year ended March 31, 2022, our selling and marketing expenses increased by approximately $5.4 million. The increase was primarily related to commission on the increases in the sale of our products resulting of approximately $3.6 million of increase in commissions and a $1.1 million increase advertising expenses for the year ended March 31, 2022 in comparison to the comparable prior year.

Our corporate general & administrative expenses increased approximately $9.8 million in the current period from the prior year mainly due to increased general corporate expenses related to the addition of Gemini of approximately $5.3 million and increases in insurance expenses of $4.0 million.

Employee salaries and related expenses increased approximately $8.6 million for the year ended March 31, 2022 compared to the comparable period ended in 2021. This was a result of increased payroll and related expenses of $4.2 million, including $2.9 million from the addition of Gemini, and employee stock compensation of approximately $4.3 million.

Depreciation and amortization expenses increased approximately $12.0 million from the period principally due to the addition of assets from the Gemini Acquisition.

Interest and Other Expenses

For the year ended March 31, 2022, interest expense decreased by approximately $2.4 million compared with the year ended March 31, 2021. The change from the prior periods was mainly due to the repayment of notes and conversion of convertible promissory notes in current and prior periods. Interest expense for the year ended March 31, 2021 included approximately $1.3 million of non-cash interest expense recognized on the issuance of warrants to purchase Common Stock, approximately $0.4 million in debt discount amortization related to Convertible Promissory Notes as well interest expense and debt discount amortization related to Note Payables Related Party, Note Payable, and Convertible Promissory Notes.

Net Income

As a result of increases in revenues from increased production as well as our acquisition of Gemini, we ended the year ended March 31, 2022 with net income of approximately $33.2 million compared with net losses of approximately $7.8 million for the year ended March 31, 2021.

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, 2023, we had $39,134,027 of cash and cash equivalents, an increase of $15,852,552 from March 31, 2022.

Working Capital is summarized and compared as follows:

	March 31, 2023	March 31, 2022
Current assets	$ 128,451,893	$ 129,691,636
Current liabilities	25,463,399	35,823,311
	$ 102,988,494	$ 93,868,325

Liquidity

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. These sources have been adequate to fund our recurring cash expenditures including but not limited to our working capital requirements, capital expenditures to expand our operations, debt repayments, and acquisitions. We intend to continue to use the aforementioned sources of funding for capital expenditures, debt repayments, share repurchases and any potential acquisitions.

Leases

We lease four locations that are used for our offices, production, and warehousing. As of March 31, 2023, we had $1.6 million of fixed lease payment obligations with $0.6 million payable within the next 12 months. Please refer to Note 9 – Leases for additional information.

Related Party Note Payable

As of March 31, 2023, we had an outstanding balance on our Related Party Note Payable of approximately $0.2 million, of which the balance in its entirety million is due within the next 12 months.

Construction Note Payable

We financed a portion of our new production facility with our Construction Note Payable. We expect to make $0.8 million in principal and interest payments within the next 12 months. The total principal balance of the Construction Note is expected to be $11.4 million upon completion of the project and will mature on October 14, 2026.

Changes in cash flows are summarized as follows:

Operating Activities

For the year ended March 31, 2023, net cash provided by operations totaled approximately $35.6 million. This was primarily the result of net loss of approximately $4.6 million, decreases to our period end accounts receivable of $14.4 million, inventories of $4.7 million, prepaid expenses of 2.8 million, and deposits of $4.3 million which was offset by increases in accounts payable and accrued liabilities of $8.7 million and $2.8 million, respectively. The cash used in operations were partially offset by the benefit of non-cash expenses for depreciation and amortization of approximately $17.5 million, employee stock compensation of $5.8 million, $1.6 million of deferred income taxes, stock grants totaling $0.2 million, $0.2 million of allowance for doubtful accounts, and $0.2 million of warrants issued for services.

For the year ended March 31, 2022, net cash provided by operations totaled approximately $2.9 million. This was primarily the result of net income of approximately $33.2 million, increases to our period end inventories of $43.1 million, accounts receivable of $20.7 million, and deposits of $8.8 million which was offset by increases in accounts payable and accrued liabilities of $9.9 million and $2.3 million, respectively, and decreases of prepaid expenses of $1.9 million. The cash used in operations were partially offset by the benefit of non-cash expenses for depreciation and amortization of approximately $17.3 million, employee stock compensation of $5.8 million, stock grants totaling $0.3 million, $2.7 million of allowance for doubtful accounts, $0.8 million of warrants issued for services, $1.5 million of deferred income taxes and a decrease related to an adjustment to the fair value of contingent consideration of $0.4 million.

Investing Activities

During the year ended March 31, 2023, we used approximately $12.5 million in net cash for investing activities. Net cash used in investing activities consisted of approximately $12.5 million related to purchases of production equipment, the construction of our new manufacturing facility in Manitowoc, WI, and capitalized development costs related to our marketplace, GunBroker.com.

During the year ended March 31, 2022, we used approximately $69.7 million in net cash for investing activities. Net cash used in investing activities consisted of approximately $50.5 million uses in connection with the merger of Gemini, and approximately $19.2 million related to purchases of production equipment and the construction of our new manufacturing facility in Manitowoc, WI.

Financing Activities

During the year ended March 31, 2023, net cash used in financing activities was approximately $6.7 million. This was the result of approximately $3.0 million of preferred stock dividends paid, $2.1 million of insurance premium note payments, $0.7 million in payments of our related party note payable, and an approximate $0.8 million reduction in our Inventory Credit Facility. These items were offset by $1.0 million generated from our construction note payable and $0.1 million of proceeds from warrants exercised for common stock. Additionally, approximately $71.3 million was generated from accounts receivable factoring, which was offset by payments of approximately $72.3 million.

During the year ended March 31, 2022, net cash used in financing activities was approximately $28.2 million. This was the net effect of a $50.0 million payment on debt assumed from Gemini, $35.0 million of proceeds from the sale of our preferred stock net of approximately $3.2 million of issuance costs, approximately $2.5 million of preferred stock dividends paid, approximately $2.2 million of insurance premium note payments, approximately $0.9 million was generated from common stock issued for exercised warrants, the $4.0 million repayment of a note payable, and an approximate $0.3 million reduction in our Inventory Credit Facility. Additionally, approximately $121.5 million was generated from accounts receivable factoring, which was offset by payments of approximately $122.8 million.

Off-Balance Sheet Arrangements

As of March 31, 2023, 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 U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts 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.

Goodwill

We evaluate goodwill for impairment annually or more frequently when an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. In testing for goodwill impairment, we may elect to utilize a qualitative assessment to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If our qualitative assessment indicates that goodwill impairment is more likely than not, we perform a two-step impairment test. We test goodwill for impairment under the two-step impairment test by first comparing the book value of net assets to the fair value of the reporting unit. If the fair value is determined to be less than the book value or qualitative factors indicate that it is more likely than not that goodwill is impaired, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. We estimate the fair value of the reporting units using discounted cash flows. Forecasts of future cash flows are based on our best estimate of future net sales and operating expenses, based primarily on expected category expansion, pricing, market segment share, and general economic conditions. Due to the declines in the value of our stock price and market capitalization, we assessed qualitative factors to determine if it is more likely than not that the fair value of the Marketplace segment is less than its carrying amount. Through our analysis we determined our stock price and market capitalization decline it is not indicative of a decrease in the fair value of our Marketplace segment and a fair value calculation using the discounted cash flows was more appropriate due to the operational performance of the reporting segment. Accordingly, the impairment of Goodwill was not warranted for the year ended March 31, 2023. As of March 31, 2023, the Company has a goodwill carrying value of $90,870,094, all of which is assigned to the Marketplace segment. However, due to declines in the value of the Company’s common stock and market capitalization, it is possible that the book values of our Marketplace segment could exceed its fair value, which may result in the recognition of a material, noncash impairment of goodwill for the year ending March 31, 2024.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 condensed consolidated financial statements include the valuation of allowances for doubtful accounts, valuation of deferred tax assets, inventories, useful lives of assets, goodwill, intangible assets, stock-based compensation and warrant-based compensation.

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, 2023 and March 31, 2022, we reserved $3,246,551 and $3,055,252, respectively, of allowance for doubtful accounts.

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, 2023, and March 31, 2022, 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, ammunition casings, and marketplace fee revenue, which includes auction revenue, payment processing revenue, and shipping income. We recognize revenue according to Accounting Standard Codification – Revenue from Contract with Customers (“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. We apply 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

We only apply the five-step model when it is probable that we will collect the consideration we are 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 determine those that are performance obligations, and assess whether each promised good or service is distinct.

For Ammunition Sales and Casing Sales, 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 our product, which typically occurs upon shipment of the product or the performance of the service. In the year ended March 31, 2021, we began accepting contract liabilities or deferred revenue. We included Deferred Revenue in our Accrued Liabilities. We will recognize revenue when the performance obligation is met.

For Marketplace revenue, the performance obligation is satisfied, and revenue is recognized as follows:

Auction revenue consists of optional listing fees with variable pricing components based on customer options selected from the GunBroker website and final value fees based on a percentage of the final selling price of the listed item. The performance obligation is to process the transactions as initiated by the customer. Revenue is recognized at a point in time when the transaction is processed.

Payment processing revenue consists of fees charged to customers on a transactional basis. The performance obligation is to process the transactions as initiated by the customer. The price is set by the GunBroker user agreement on the website based on stand-alone selling prices. Revenue is recognized at a point in time when the transaction is processed.

Shipping income consists of fees charged to customers for shipping of sold items listed on the GunBroker website. The performance obligation is to ship the item sold as initiated by the customer. The price is set based on the third-party service provider selected to be used by the customer as well as the speed and location of shipment. Revenue is recognized at a point in time when the shipping label is printed.

Banner Advertising Campaign Revenue consists of fees charged to customers for advertisement placement and impressions generated through the GunBroker website. The performance obligation is to generate the number of impressions specified by the customer on banner advertisements on the GunBroker website using the placement selected by the customer. The price is set by the GunBroker user agreement on the website based on standalone selling prices, or by advertising insertion order as negotiated by media broker. If the number of impressions promised is not generated, the customer receives a refund and the refund is applied to the transaction price. Banner advertising campaigns generally run for one month, and revenue is recognized at a point in time at the end of the selected month.

Product Sales consists of fees charged for the liquidation of excess inventory for partner distributors. The performance obligation is to sell and ship the inventory item as initiated by the customer. The price depends on whether the inventory is a fixed price item or an auction item. For a fixed price item, the Company performs research to determine the current market rate for such an item, and the item is listed at that price. For an auction item, the price is set by what the buyer is willing to pay. The Company acts as a principal in these transactions due to the extent of control they have over the product prior to the sale. Due to the principal determination, gross revenue is recognized at a point in time when the item has been shipped.

Identity Verification consists of fees charged to customers for identity verification in order to gain access to the GunBroker website. The performance obligation is to process the identity verification as initiated by the customer. The price is set by the GunBroker user agreement on the website based on a stand-alone selling price. Revenue is recognized at a point in time when the identity verification is completed.

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 years ended March 31, 2023, 2022, and 2021, we recognized approximately $9.8 million, $14.6 million, and $4.3 million 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, 2023. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair value. These financial instruments include cash, accounts receivable, accounts payable, amounts due to related parties, factoring liability, and the construction note payable. 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 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.

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 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. We measure stock compensation based on reference to the closing fair market value of our Common Stock on the date of grant. Stock-based compensation is recognized on a straight line basis over the vesting periods and forfeitures are recognized in the periods they occur.

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

We have not entered into any market risk sensitive instruments for trading purposes. We are exposed to market risks in the ordinary course of business including fluctuations in interest rates and commodity prices, which can affect our operating, investing and financing activities. We believe our primary market risk is interest rate risk. Our Factoring Liability is indexed to market rates. Although we did not have a balance outstanding under our Factoring Liability at March 31, 2023, if were to make use of the maximum facility amount of $5.0 million, a 100 basis point increase would result in an impact of $50,000 additional interest expense for the year ended March 31, 2023. The interest rates on our Construction Note Payable are not indexed to market rates.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

As of March 31, 2023, 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 evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(c) and 15d-15(e) under the Exchange Act, as of March 31, 2023. Our disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Based on this evaluation, and because of the material weaknesses described below, our CEO and CFO have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of March 31, 2023.

Management's Annual Report on Internal Control Over Financial Reporting

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 Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance of the reliability of financial reporting and of the preparation of financial statements for external reporting purposes, in accordance with U.S. GAAP.

Internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and disposition of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of its management and directors; and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on tis financial statements.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, and because of the material weaknesses described below, our management concluded that our internal control over financial reporting was not effective as of March 31, 2023.

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 risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

These material weaknesses did not result in any identified misstatements to the financial statements, and there were no changes to previously released financial results.

Material weaknesses and management's remediation plan

A material weakness is a deficiency, or a combination of deficiencies, within the meaning of Public Company Accounting Oversight Board ("PCAOB") Auditing Standard AS 2201, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. The following material weaknesses in our internal control over financial reporting were identified in the normal course as of March 31, 2023:

The Company failed to maintain an effective control environment due to the following:

- the Company's management and the governance did not maintain appropriately designed entity-level controls impacting the control environment to prevent or detect material misstatements to the consolidated financial statements. These deficiencies were attributed to limited personnel to assist with the accounting and financial reporting function and inadequate oversight and accountability over the performance of control activities, including establishment of a Whistleblower Hotline and lack of formalization of certain key governance elements: management delegation, annual board committee charter review, acknowledgement of code of conduct, and approval of the annual budget;

- the Company failed to maintain properly designed segregation of duties, both within manual processes and system access;

- the Company failed to maintain effectively designed controls over journal entries, both recurring and nonrecurring, account reconciliations, and periodic flux analysis. Journal entries were not always accompanied by sufficient supporting documentation and were not adequately reviewed and approved for validity, completeness, and accuracy. In most instances, persons responsible for reviewing journal entries and account reconciliations for validity, completeness, and accuracy were also responsible for preparation.

- the Company failed to maintain effectively designed controls over the period-end financial reporting process, including adequate tie-out and review of documentation that supports the financial statements; and

- the Company failed to maintain effectively designed controls over information technology general controls in the areas of user provisioning and de-provisioning, application change management, operating system and logical access controls, and segregation of duties for information technology ("IT") systems that supports the Company's financial reporting process.

Management's Remediation Initiatives

We have concluded that these material weaknesses arose because we did not have the necessary business processes, systems, personnel, and related internal controls.

In response to the material weaknesses, management, with the oversight of the Audit Committee of the Board of Directors, has begun the process of, and is committed to, designing and implementing effective measures to strengthen our internal controls over financial reporting and remediate the material weaknesses. The Company is committed to ensuring that a proper, consistent tone is communicated throughout the organization, which emphasizes the expectation that previously existing deficiencies will be rectified through implementation of processes and controls to ensure strict compliance with U.S. GAAP and regulatory requirements.

Our current and planned internal remediation efforts include:

- Retained a third–party consulting firm that specializes in internal audit work, and more specifically internal controls work. This firm will assist management with its risk assessment of internal control over financial reporting as well as documentation and testing of our internal control structure and evaluation of material weaknesses, with special focus on assisting management in the establishment and evaluation of proper segregation of duties procedures and monitoring and controls over ITGCs for the systems that support our financial reporting process.
- Management has presented, and the Board of Directors has approved the formal management delegation, and the Company has formally initiated the implementation of a whistleblower hotline prior to the filing of this document.
- Approved, adopted, and implemented accounting policies related to journal entries and invoice approval.
- Improved formalization of procedures and documentation for all journal entries, account reconciliations, flux analysis and variance thresholds, vendor set-up.
- Initiated IT Remediation Project with third-party consultants to design and implement controls over user provisioning and de-provisioning, application change management, operating system and logical access controls, segregation of duties, and third-party service provider report review process.
- Implemented improvements surrounding review and approval of controls with a review element, including proper segregation, enhanced documentation, and consistency of application.

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we are committed to the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2023, has been audited by Pannell Kerr Forster of Texas, P.C., an independent registered public accounting firm, as stated in its report included herein.

Changes in Internal Controls over Financial Reporting

There was a change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during our most recent quarter that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

Commencing in our fiscal quarter ended December 31, 2022, we have undertaken measures to remediate the previously disclosed material weaknesses. Management intends to implement certain remediation steps to address the material weaknesses described under Management's Remediation Initiatives. However, management has not fully implemented those remediation steps and expects remediation efforts to continue into fiscal year 2024.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited AMMO, Inc.'s (the "Company's") internal control over financial reporting as of March 31, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weaknesses described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of March 31, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment.

- Controls were not appropriately designed or implemented at the entity level, affecting the control environment to prevent or detect material misstatements and to set the tone of the organization, including establishment of a whistleblower hotline and establishment of management delegation of authority policies;
- Controls were not appropriately designed or implemented to maintain effective segregation of duties, primarily related to insufficient personnel / resources;
- Controls were not appropriately designed or implemented over the year-end financial reporting process, including ineffective design of review and approval authorization controls;
- Controls were not appropriately designed or implemented related to journal entry access and approvals; and
- Controls were not appropriately designed or implemented related to information technology general controls. These controls specifically related to (i) user provisioning and deprovisioning, (ii) application change management, (iii) operating system and logical access controls, and (iv) segregation of duties for information technology systems that support the financial reporting process.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2023 financial statements, and this report does not affect our report dated June 14, 2023, on those financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets and the related consolidated statements of operations, stockholders' equity, and cash flows of the Company, and our report dated June 14, 2023, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) 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.

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.

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

Houston, Texas
June 14, 2023

ITEM 9B. OTHER INFORMATION

We are reporting the following information in lieu of reporting on a Current Report on Form 8-K under Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On June 12, 2023, the Board approved a one-time cash bonus payment to Robert D. Wiley, the Company's Chief Financial Officer. The Company will pay $129,000 to Mr. Wiley on or prior to June [ ], 2023. This amount represents twenty percent (20%) of the total base salary paid to Mr. Wiley in the three years ended March 31, 2023.

In addition, on June 12, 2023, the Board approved, and the Company and Mr. Wiley entered into, a Third Amendment to Employment Agreement (the "Amendment"). Pursuant to the terms of the Amendment, the Company shall pay Mr. Wiley an annual salary of $325,000. All other terms of the Employment Agreement remain in full force and effect. The foregoing description of the Amendment is not complete and is qualified in its entirety by reference to the full text of the Employment Agreement, which is attached to this filing as Exhibit 10.6.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2023 Annual Meeting of Stockholder to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2023 Annual Meeting of Stockholder to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2023 Annual Meeting of Stockholder to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2023 Annual Meeting of Stockholder to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2023 Annual Meeting of Stockholder to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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 omitted 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 Form	Reference Exhibit	Filed or Furnished Filing Date	Filed or Furnished Herewith
2.1#	Agreement and Plan of Merger, dated April 30, 2021, by and among Ammo, Inc., SpeedLight Group I, LLC, Gemini Direct Investments, LLC and Steven F. Urvan (1)	8-K	2.1	5/6/2021	
3.1	Certificate of Incorporation (Amended and Restated) filed with the Delaware Secretary of State on October 24, 2018	8-K	3.1	10/26/2018	
3.2	Bylaws	8-K	3.03	02/09/2017	
3.3	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	8-A	3.1	5/20/2021	
4.1	Compilation of JSC Agreements dated November 4, 2020	10-Q	4.3	11/13/2020	
4.2	Form of Underwriters' Warrant Agreement issued December 3, 2020	8-K	4.1	12/4/2020	
4.3	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.				X
4.4	Promissory Note issued by Ammo, Inc., Firelight Group I, LLC in favor of Hiawatha National Bank, dated October 14, 2021.	10-Q	4.1	2/14/2022	
10.1+	2017 Equity Incentive Plan, as amended	S-8	4.1	3/30/2023	
10.2	First Amended and Restated Factoring and Security Agreement, as amended, by and between Ammo, Inc. and Factors Southwest, LLC	8-K	10.1	3/11/2021	
10.3	Revolving Inventory Loan and Security Agreement, as amended, by and between Ammo, Inc. and Factors Southwest, LLC	8-K	10.2	3/11/2021	
10.4	Exclusive License Agreement between AMMO Technologies Inc. and University of Louisiana at Lafayette, dated November 16, 2017, as amended in 2018 and 2022	10-Q	10.1	2/14/2023	
10.5+	Employment Agreement of Fred W. Wagenhals				X
10.6+	Employment Agreement of Robert D. Wiley, as amended				X
10.7+	Employment Agreement of Jared R. Smith, dated December 15, 2022	10-Q	10.4	2/14/2023	
10.8	Lock-Up Agreement, dated April 30, 2021, by and between Ammo, Inc. and Steven F. Urvan	8-K	10.1	5/6/2021	
10.9	Voting Rights Agreement, dated April 30, 2021, by and between Ammo, Inc. and Steven F. Urvan	8-K	10.2	5/6/2021	
10.10	Standstill Agreement, dated April 30, 2021, by and between Ammo, Inc. and Steven F. Urvan	8-K	10.3	5/6/2021	
10.11	Investor Rights Agreement, dated April 30, 2021, by and between Ammo, Inc. and Steven F. Urvan	8-K	10.4	5/6/2021	
10.12	Construction Loan Agreement by and among Ammo, Inc., Firelight Group I, LLC, and Hiawatha National Bank, dated October 14, 2021.	10-Q	10.1	2/14/2022	

10.13	Settlement Agreement, by and among AMMO, Inc., Steven F. Urvan and Susan T. Lokey, dated November 3, 2022	8-K	10.1	11/7/22	
10.14	Amendment to Settlement Agreement, by and among AMMO, Inc., Steven F. Urvan and Susan T. Lokey, dated November 21, 2022	8-K	10.1	11/22/22	
21.1	Subsidiaries of the Company				X
23.1	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, 2023				X
31.1	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.				X
31.2	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.				X
32.1*	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.				X
32.2*	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.				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				X

\# Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish supplementally copies of omitted schedules and exhibits to the Securities and Exchange Commission or its staff upon its request.

\+ 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.

	By: */s/ Fred W. Wagenhals*
Dated: June 14, 2023	Fred W. Wagenhals, Chief Executive Officer
	By: */s/ Robert D. Wiley*
Dated: June 14, 2023	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.

Name	Title	Date
/s/ Fred W. Wagenhals Fred W. Wagenhals	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	June 14, 2023
/s/ Robert D. Wiley Robert D. Wiley	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	June 14, 2023
/s/ Russell W. Wallace Jr. Russell W. Wallace, Jr.	Director	June 14, 2023
/s/ Richard Childress Richard Childress	Director	June 14, 2023
/s/ Harry Markley Harry Markley	Director	June 14, 2023
/s/ Jessica M. Lockett Jessica M. Lockett	Director	June 14, 2023
Steven F. Urvan	Director	
/s/ Wayne Walker Wayne Walker	Director	June 14, 2023
/s/ Christos Tsentas Christos Tsentas	Director	June 14, 2023
/s/ Randy E. Luth Randy E. Luth	Director	June 14, 2023

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders 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, 2023 and 2022, the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three year period ended March 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the each of the years in the three year period ended March 31, 2023 in conformity with U. S. Generally Accepted Accounting Principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 14, 2023, expressed an adverse opinion.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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.

Goodwill Impairment

The Company has recorded goodwill of approximately $90.8 million. As described in Note 2 to the financial statements, the Company tests goodwill for impairment annually or more frequently when an event occurs or circumstances change that may indicate that the carrying value of the reporting unit exceeds its fair value. The fair value was determined using the weighting of certain valuation techniques, including both income and market approaches, which include a discounted cashflow analysis, an analysis of similar public company financial information, and an analysis of market transactions. The Company's fair value estimate in performing this analysis requires management to make various judgments, assumptions, and estimates, the most significant of which include discount rates, projected revenue growth rates, operating margins and guideline public company metrics. We identified goodwill impairment as a critical audit matter primarily because of the judgment involved in reviewing management's estimates included in the specialist's reports, 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 and its specialist in its analysis of the assessment;
- performing assessments of the specialist's qualifications and relationship with the Company;
- testing the mathematical accuracy of the specialist's calculations; and
- evaluating the reasonableness of inputs utilized in the calculation.

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

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

Houston, Texas
June 14, 2023

AMMO, Inc.
CONSOLIDATED BALANCE SHEETS

	March 31, 2023	March 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 39,134,027	$ 23,281,475
Accounts receivable, net	29,346,380	43,955,084
Due from related parties	-	15,000
Inventories	54,344,819	59,016,152
Prepaid expenses	5,126,667	3,423,925
Current portion of restricted cash	500,000	-
Total Current Assets	128,451,893	129,691,636
Property and Equipment, net	55,963,255	37,637,806
Other Assets:		
Deposits	7,028,947	11,360,322
Patents, net	5,032,754	5,526,218
Other intangible assets, net	123,726,810	136,300,387
Goodwill	90,870,094	90,870,094
Right of use assets - operating leases	1,261,634	2,791,850
TOTAL ASSETS	$ 412,335,387	$ 414,178,313
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 18,079,397	$ 26,817,083
Factoring liability	-	485,671
Accrued liabilities	4,353,354	6,178,814
Inventory credit facility	-	825,675
Current portion of operating lease liability	470,734	831,429
Current portion of note payable related party	180,850	684,639
Current portion of construction note payable	260,429	-
Insurance premium note payable	2,118,635	-
Total Current Liabilities	25,463,399	35,823,311
Long-term Liabilities:		
Contingent consideration payable	140,378	204,142
Notes payable related party, net of current portion	-	181,132
Construction note payable, net of unamortized issuance costs	10,922,443	38,330
Operating lease liability, net of current portion	903,490	2,091,351
Deferred income tax liability	2,309,592	1,536,481
Total Liabilities	39,739,302	39,874,747
Shareholders' Equity:		
Series A cumulative perpetual preferred Stock 8.75%, ($25.00 per share, $0.001 par value) 1,400,000 shares issued and outstanding as of March 31, 2023 and March 31, 2022, respectively	1,400	1,400
Common stock, $0.001 par value, 200,000,000 shares authorized 118,562,806 and 116,485,747 shares issued and 118,294,478 and 116,485,747 outstanding at March 31, 2023 and March 31, 2022, respectively	118,294	116,487
Additional paid-in capital	391,940,374	385,426,431
Accumulated deficit	(18,941,825)	(11,240,752)
Treasury Stock	(522,158)	-
Total Shareholders' Equity	372,596,085	374,303,566
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 412,335,387	$ 414,178,313

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

AMMO, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended March 31,		
	2023	2022	2021
Net Revenues			
Ammunition sales[1]	$ 114,116,044	$ 161,459,025	$ 49,620,530
Marketplace revenue	63,149,673	64,608,516	-
Casing sales	14,174,084	14,201,625	12,861,800
	191,439,801	240,269,166	62,482,330
Cost of Revenues	136,031,204	151,505,657	51,095,679
Gross Profit	55,408,597	88,763,509	11,386,651
Operating Expenses			
Selling and marketing	4,729,540	7,310,216	1,879,128
Corporate general and administrative	24,980,079	16,986,344	7,191,544
Employee salaries and related expenses	15,679,135	13,615,439	5,036,721
Depreciation and amortization expense	13,278,762	13,702,148	1,659,243
Loss on purchase	-	-	1,000,000
Total operating expenses	58,667,516	51,614,147	16,766,636
Income/(Loss) from Operations	(3,258,919)	37,149,362	(5,379,985)
Other Expenses			
Other income/(expense)	25,181	21,840	576,785
Interest expense	(632,062)	(637,797)	(3,009,094)
Total other expense	(606,881)	(615,957)	(2,432,309)
Income/(Loss) before Income Taxes	(3,865,800)	36,533,405	(7,812,294)
Provision for Income Taxes	730,238	3,285,969	-
Net Income/(Loss)	(4,596,038)	33,247,436	(7,812,294)
Preferred Stock Dividend	(3,105,034)	(2,668,649)	-
Net Income/(Loss) Attributable to Common Stock Shareholders	$ (7,701,072)	$ 30,578,787	$ (7,812,294)
Net Income/(Loss) per share			
Basic	$ (0.07)	$ 0.27	$ (0.14)
Diluted	$ (0.07)	$ 0.27	$ (0.14)
Weighted average number of shares outstanding			
Basic	117,177,885	112,328,680	55,041,502
Diluted	117,177,885	114,189,720	55,041,502

(1) Included in revenue for the years ended March 31, 2023, 2022, and 2021 is excises taxes of $9,789,896, $14,646,983, and $4,286,258, respectively.

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

AMMO, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock Number	Preferred Stock Par Value	Common Shares Number	Common Shares Par Value	Additional Paid-In Capital	Accumulated (Deficit)	Treasury Stock	Total
Balance as of March 31, 2020	-	$ -	46,204,139	$ 46,204	$ 53,219,834	$ (34,007,245)	-	$ 19,258,793
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	-	$ -	93,099,967	$ 93,100	$202,073,968	$ (41,819,539)	$ -	$160,347,529

	Preferred Stock Number	Preferred Stock Par Value	Common Shares Number	Common Shares Par Value	Additional Paid-In Capital	Accumulated (Deficit)	Treasury Stock	Total
Balance as of March 31, 2021	-	$ -	93,099,967	$ 93,100	$202,073,968	$ (41,819,539)	-	$160,347,529
Acquisition stock issuances	-	-	20,000,000	20,000	142,671,282	-	-	142,691,282
Common stock issued for exercised warrants	-	-	431,080	431	943,476	-	-	943,907
Common stock issued for cashless warrant exercise	-	-	374,584	375	(375)	-	-	-
Common stock issued for services and equipment	-	-	772,450	773	1,630,928	-	-	1,631,701
Employee stock awards	-	-	1,807,666	1,808	5,757,192	-	-	5,759,000
Stock grants	-	-	-	-	252,488	-	-	252,488
Issuance of Series A Preferred Stock, net of issuance costs	1,400,000	1,400	-	-	31,007,396	-	-	31,008,796
Warrant issued for services					1,090,076	-		1,090,076
Preferred stock dividends declared	-	-	-	-	-	(2,524,087)	-	(2,524,087)
Dividends accumulated on preferred stock	-	-	-	-	-	(144,562)	-	(144,562)
Net income	-	-	-	-	-	33,247,436	-	33,247,436
Balance as of March 31, 2022	1,400,000	$ 1,400	116,485,747	$116,487	$385,426,431	$ (11,240,752)	$ -	$374,303,566

	Preferred Stock Number	Preferred Stock Par Value	Common Shares Number	Common Shares Par Value	Additional Paid-In Capital	Accumulated (Deficit)	Treasury Stock	Total
Balance as of March 31, 2022	1,400,000	$ 1,400	116,485,747	$116,487	$385,426,431	$ (11,240,752)	$ -	$374,303,566
Common stock issued for exercised warrants	-	-	200,003	200	101,306	-	-	101,506
Common stock issued for cashless warrant exercise	-	-	99,762	99	(99)	-	-	-
Employee stock awards	-	-	1,777,294	1,776	5,806,003	-	-	5,807,779
Stock grants	-	-	-	-	179,094	-	-	179,094
Warrants issued for services	-	-	-	-	427,639	-	-	427,639
Preferred stock dividends declared	-	-	-	-	-	(638,071)	-	(638,071)
Dividends accumulated on preferred stock	-	-	-	-	-	(144,618)	-	(144,618)
Preferred stock dividend	-	-	-	-	-	(2,322,346)	-	(2,322,346)
Net Loss						(4,596,038)		(4,596,038)
Treasury shares purchased	-	-	(268,328)	(268)	-	-	(522,158)	(522,426)
Balance as of March 31, 2023	1,400,000	$ 1,400	118,294,478	$118,294	$391,940,374	$ (18,941,825)	$(522,158)	$372,596,085

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,		
	2023	2022	2021
Cash flows from operating activities:			
Net Income/(Loss)	(4,596,038)	33,247,436	(7,812,294)
Adjustments to reconcile Net Loss to Net Cash provided by (used in) operations:			
Depreciation and amortization	17,519,949	17,339,093	4,876,756
Debt discount amortization	83,253	38,330	446,466
Employee stock awards	5,807,779	5,759,000	1,450,359
Stock grants	179,094	252,488	278,585
Stock for services	-	4,200	1,707,500
Contingent consideration payable fair value	(63,764)	(385,750)	(119,731)
Allowance for doubtful accounts	191,299	2,748,250	86,292
(Gain)/loss on disposal of assets	-	(12,044)	25,400
Reduction in right of use asset	629,140	720,491	443,739
Warrant issued for services	213,819	718,045	-
Deferred income taxes	730,238	1,536,481	-
Stock issued in lieu of cash payments	-	-	48,000
Interest on convertible promissory notes	-	-	163,351
Paycheck protection program note forgiveness	-	-	(1,051,985)
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	14,417,405	(20,707,052)	(6,075,373)
Due to (from) related parties	15,000	657	150
Inventories	4,671,333	(43,149,234)	(11,458,845)
Prepaid expenses	2,763,855	1,996,287	(1,331,710)
Deposits	4,306,375	(8,826,504)	(1,616,858)
Accounts payable	(8,694,813)	9,930,191	1,810,417
Accrued liabilities	(1,970,078)	2,374,686	1,843,166
Operating lease liability	(647,480)	(732,468)	(444,439)
Net cash provided by (used in) operating activities	35,556,366	2,852,583	(14,415,560)
Cash flows from investing activities:			
Gemini acquisition	-	(50,517,840)	-
Purchase of equipment	(12,541,325)	(19,218,982)	(7,437,265)
Proceeds from disposal of assets	-	59,800	-
Net cash used in investing activities	(12,541,325)	(69,677,022)	(7,437,265)

(Continued)

AMMO, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOW

	For the Year Ended March 31,		
	2023	2022	2021
Cash flow from financing activities:			
Payments on inventory facility, net	(825,675)	(265,422)	1,091,098
Proceeds from factoring liability	71,348,761	121,488,045	40,309,292
Payments on factoring liability	(71,834,432)	(122,844,562)	(40,473,083)
Payments on assumed debt from Gemini	-	(50,000,000)	-
Payments on note payable - related party	(684,921)	(625,147)	(8,783,410)
Payments on insurance premium note payment	(2,134,143)	(2,208,369)	(514,746)
Proceeds from construction note payable	1,000,000	-	-
Payments on construction note payable	(150,743)	-	-
Payments on note payable	-	(4,000,000)	-
Sale of preferred stock	-	35,000,000	-
Common stock issued for exercised warrants	101,506	943,907	13,952,336
Common stock issuance costs	-	(3,199,922)	(13,895,069)
Preferred stock dividends paid	(2,960,416)	(2,524,087)	
Common stock repurchase plan	(522,426)	-	-
Sale of common stock	-	-	138,612,619
Proceeds from paycheck protection program notes	-	-	1,051,985
Proceeds from note payable related party issued	-	-	3,500,000
Proceeds from note payable	-	-	4,000,000
Proceeds from convertible promissory notes	-	-	1,959,000
Payments on common stock repurchase and cancellation	-	-	(1,500,000)
Net cash used in financing activities	(6,662,489)	(28,235,557)	139,310,022
			-
Net increase/(decrease) in cash	16,352,552	(95,059,996)	117,457,197
Cash, beginning of period	23,281,475	118,341,471	884,274
Cash and restricted cash, end of period	$ 39,634,027	$ 23,281,475	$ 118,341,471
Restricted cash, end of period	$ 500,000	$ -	$ -
Cash, end of period	$ 39,134,027	23,281,475	118,341,471
Supplemental cash flow disclosures:			
Cash paid during the period for:			
Interest	$ 665,043	$ 626,571	$ 1,186,302
Income taxes	$ 1,302,811	$ -	$ -
Non-cash investing and financing activities:			
Construction note payable	$ 10,237,032	$ 387,968	$ -
Insurance premium note payment	$ 4,252,778	$ 2,166,852	$ 226,539
Operating lease liability	$ 901,076	$ 809,451	$ 897,845
Dividends accumulated on preferred stock	$ 144,618	$ 144,562	$ -
Acquisition stock issuances	$ -	$ 143,400,000	$ -
Warrant issued for services	$ -	$ 1,090,077	$ -
Convertible promissory note	$ -	$ -	$ 4,667,855
Note payable related party	$ -	$ -	$ 2,635,797
Note payable related party conversion	$ -	$ -	$ 2,100,000
Stock subscription receivable	$ -	$ -	$ 664,975

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

NOTE 1 – ORGANIZATION AND BUSINESS ACTIVITY

We were formed under the name Retrospettiva, 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. 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 of America ("U.S. 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 condensed consolidated financial statements include the valuation of allowances for doubtful accounts, valuation of deferred tax assets, inventories, useful lives of assets, goodwill, intangible assets, stock-based compensation and warrant-based compensation.

Goodwill

We evaluate goodwill for impairment annually or more frequently when an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. In testing for goodwill impairment, we may elect to utilize a qualitative assessment to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If our qualitative assessment indicates that goodwill impairment is more likely than not, we perform a two-step impairment test. We test goodwill for impairment under the two-step impairment test by first comparing the book value of net assets to the fair value of the reporting unit. If the fair value is determined to be less than the book value or qualitative factors indicate that it is more likely than not that goodwill is impaired, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. We estimate the fair value of the reporting units using discounted cash flows. Forecasts of future cash flows are based on our best estimate of future net sales and operating expenses, based primarily on expected category expansion, pricing, market segment share, and general economic conditions. Due to the declines in the value of our stock price and market capitalization, we assessed qualitative factors to determine if it is more likely than not that the fair value of the Marketplace segment is less than its carrying amount. Through our analysis we determined our stock price and market capitalization decline it is not indicative of a decrease in the fair value of our Marketplace segment and a fair value calculation using the discounted cash flows was more appropriate due to the operational performance of the reporting segment. Accordingly, the impairment of Goodwill was not warranted for the year ended March 31, 2023. As of March 31, 2023, the Company has a goodwill carrying value of $90,870,094, all of which is assigned to the Marketplace segment. However, due to declines in the value of the Company's common stock and market capitalization, it is possible that the book values of our

Marketplace segment could exceed its fair value, which may result in the recognition of a material, noncash impairment of goodwill for the year ending March 31, 2024.

Cash and Cash Equivalents

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

Restricted Cash

We consider cash to be restricted when withdrawal or general use is legally restricted. Our restricted cash balance is comprised of cash on deposit with banks to secure the Construction Loan Agreement as discussed in Note 11. We report restricted cash in the Consolidated Balance Sheets as current or non-current classification based on the expected duration of the restriction.

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.

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 April 12, 2026 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. 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 were 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. 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.

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. 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. This asset will be amortized from September 2017, the first full month of the acquired rights, through October 29, 2028.

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, 2023, 2022, and 2021, the Company recognized royalty expenses of $99,268, $44,764, and $87,093 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.

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.

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.

On April 30, 2021, we 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 and Gemini Direct Investments, LLC, a Nevada limited liability company. Whereby SpeedLight Group I, LLC merged with and into Gemini Direct Investments, LLC, with SpeedLight Group I, LLC surviving the merger as a wholly owned subsidiary of the Company. At the time of the Merger, Gemini Direct Investments, LLC had nine (9) subsidiaries, all of which are related to Gemini's ownership of GunBroker.com, an online auction marketplace dedicated to firearms, hunting, shooting, and related products. The intangible assets acquired include a tradename, customer relationships, intellectual property, software and domain names.

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, 2023, 2022, and 2021.

Revenue Recognition

We generate revenue from the production and sale of ammunition, ammunition casings, and marketplace fee revenue, which includes auction revenue, payment processing revenue, and shipping income. We recognize revenue according to Accounting Standard Codification – Revenue from Contract with Customers ("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. We apply 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

We only apply the five-step model when it is probable that we will collect the consideration we are 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 determine those that are performance obligations, and assess whether each promised good or service is distinct.

For Ammunition Sales and Casing Sales, 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 our product, which typically occurs upon shipment of the product or the performance of the service. In the year ended March 31, 2021, we began accepting contract liabilities or deferred revenue. We included Deferred Revenue in our Accrued Liabilities. We will recognize revenue when the performance obligation is met.

For Marketplace revenue, the performance obligation is satisfied, and revenue is recognized as follows:

Auction revenue consists of optional listing fees with variable pricing components based on customer options selected from the GunBroker website and final value fees based on a percentage of the final selling price of the listed item. The performance obligation is to process the transactions as initiated by the customer. Revenue is recognized at a point in time when the transaction is processed.

Payment processing revenue consists of fees charged to customers on a transactional basis. The performance obligation is to process the transactions as initiated by the customer. The price is set by the GunBroker user agreement on the website based on stand-alone selling prices. Revenue is recognized at a point in time when the transaction is processed.

Shipping income consists of fees charged to customers for shipping of sold items listed on the GunBroker website. The performance obligation is to ship the item sold as initiated by the customer. The price is set based on the third-party service provider selected to be used by the customer as well as the speed and location of shipment. Revenue is recognized at a point in time when the shipping label is printed.

Banner Advertising Campaign Revenue consists of fees charged to customers for advertisement placement and impressions generated through the GunBroker website. The performance obligation is to generate the number of impressions specified by the customer on banner advertisements on the GunBroker website using the placement selected by the customer. The price is set by the GunBroker user agreement on the website based on standalone selling prices, or by advertising insertion order as negotiated by media broker. If the number of impressions promised is not generated, the customer receives a refund and the refund is applied to the transaction price. Banner advertising campaigns generally run for one month, and revenue is recognized at a point in time at the end of the selected month.

Product Sales consists of fees charged for the liquidation of excess inventory for partner distributors. The performance obligation is to sell and ship the inventory item as initiated by the customer. The price depends on whether the inventory is a fixed price item or an auction item. For a fixed price item, the Company performs research to determine the current market rate for such an item, and the item is listed at that price. For an auction item, the price is set by what the buyer is willing to pay. The Company acts as a principal in these transactions due to the extent of control they have over the product prior to the sale. Due to the principal determination, gross revenue is recognized at a point in time when the item has been shipped.

Identity Verification consists of fees charged to customers for identity verification in order to gain access to the GunBroker website. The performance obligation is to process the identity verification as initiated by the customer. The price is set by the GunBroker user agreement on the website based on a stand-alone selling price. Revenue is recognized at a point in time when the identity verification is completed.

For the years ended March 31, 2023, 2022, and 2021, the Company's customers that comprised more than ten percent (10%) of total revenues and accounts receivable were as follows:

	For the Year Ended March 31, 2023		For the Year Ended March 31, 2022		For the Year Ended March 31, 2021	
PERCENTAGES	**Revenues**	**Accounts Receivable**	**Revenues**	**Accounts Receivable**	**Revenues**	**Accounts Receivable**
Customers:						
A	12.2%	-	-	-	16.5%	23.3%
B	-	-	-	11.8%	-	-
C	-	-	-	-	-	11.9%
D	-	-	-	-	-	10.6%
	12.2%	-	-	11.8%	16.5%	45.8%

Disaggregated Revenue Information

The following table represent a disaggregation of revenue from customers by category. We attribute net sales to categories by product or services types; ammunition, ammunition casings, and marketplace fees. The Company notes that revenue recognition processes are consistent between product and service 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 and service type.

	For the Year Ended		
	March 31, 2023	**March 31, 2022**	**March 31, 2021**
Ammunition Sales	$ 114,116,044	$ 161,459,025	$ 49,620,530
Marketplace Fee Revenue	63,149,673	64,608,516	-
Ammunition Casings Sales	14,174,084	14,201,625	12,861,800
Total Sales	$ 191,439,801	$ 240,269,166	$ 62,482,330

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. Marketplace fees are generated through our Gunbroker.com online auction marketplace.

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.

Advertising Costs

We expense advertising costs as they are incurred in selling and marketing expenses of operating expenses. Marketplace advertising costs are expenses as they are incurred in cost of revenues. We incurred advertising expenses recognized in selling expenses of $1,068,700, $1,406,043, and $257,866 for the years ended March 31, 2023, 2022, and 2021 respectively. We incurred marketplace advertising expenses of 286,479 and $417,017 in cost of revenues for the years ended March 31, 2023 and 2022. We did not have marketplace advertising expenses in cost of revenues for the year ended March 31, 2021.

Fair Value of Financial Instruments

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 services at their respective grants dates during the years ended March 31, 2023, 2022, and 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, 2023	March 31, 2022	March 31, 2021
Risk free interest rate	3.9%	1.21%-1.74%	0.32%-0.38%
Expected volatility	77.5%	89.1%-90.7%	88.9%-90.4%
Expected term	2.5 years	2.5 years	2.5 years
Expected dividend yield	0%	0%	0%

	Quoted Active Markets for Identified Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
March 31, 2023				
Warrants issued for services	$ -	$ 427,639	$ -	$ 427,639
March 31, 2022				
Warrants issued for services	$ -	$ 1,090,077	$ -	$ 1,090,077
March 31, 2021				
Warrants issued for convertible promissory notes conversion	$ -	$ 1,315,494	$ -	$ 1,315,494

In connection with our acquisition of Gemini, we used the Level 2 inputs in estimating the fair value of the transaction. Please refer to Note 14.

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.

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 ("ASC 710").

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.

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 years ended March 31, 2023, 2022, and 2021, we recognized approximately $9.8 million, $14.6 million, and $4.3 million 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.

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. We measure stock compensation based on reference to the closing fair market value of our Common Stock on the date of grant. Stock-based compensation is recognized on a straight line basis over the vesting periods and forfeitures are recognized in the periods they occur.

Concentrations of Credit Risk

Accounts at banks are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of March 31, 2023, 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.

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 in 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 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 up of 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 parties participated in a successful mediation at the end of June 2022 and all matters relating to this former employee/claimant were confidentially resolved with the lawsuit dismissed with prejudice. The settlement was covered by our Employment Practices Liability Policy and did not amount to a material amount.

On February 10, 2022, AMMO filed a Texas state court complaint against Expansion Industries pursing eight (8) claims in pursuit of recovery of AMMO's in primer acquisition deposit monies (i.e., Breach of Contract, Common Law Fraud, Violations of Texas Theft Liability Act, Conversion, Negligent Misrepresentation, Unjust Enrichment, Money Had and Received and Constructive Trust). AMMO has since moved aggressively to further the process, including successfully garnishing a portion of the deposit monies in Expansion bank accounts, filing a Motion for Summary Judgement, continuing to pursue written discovery, and amending the Complaint to add Expansion principal as an individual party. The putative primer manufacturer settled the two related lawsuits in September 2022 by repaying all deposit monies due AMMO, in addition to payment of principally all fees and costs incurred by the Company in pursuit of the resolution. The principal lawsuit and AMMO's garnishment action adverse the defendant were dismissed with prejudice.

Along with countless other suppliers of Remington Outdoors, AMMO was served with an avoidance claim lawsuit by the bankruptcy trustee. AMMO presented substantial “ordinary course” defense evidence to the Trustee and the case was settled for a nominal sum in September 2022, with the lawsuit dismissed with prejudice.

AMMO is defending two contract arbitration cases adverse former employees that are presently in discovery, one involving an employee terminated for cause and the second action involving a termination without cause wherein the former employee is seeking contract wages, commissions and allegedly earned common stock. Discovery is ongoing at this time in the employment arbitration matters. While discovery continues, the Company received a favorable ruling on a partial motion for summary judgment in the “for cause” arbitration case wherein the arbitrator ruled the employee had stolen funds and thus granted the Company’s dispositive motion.

The Company also received notice in October 2022 that an OSHA whistleblower complaint had been filed with the US Department of Labor by an employee that had been terminated for cause. The regulatory filing was received after AMMO refused to capitulate to the former employee’s demands. AMMO has produced documents and submitted its position statement to OSHA and the matters is currently pending at the agency level.

On April 30, 2023, Director and shareholder Steve Urvan filed suit in the Delaware Chancery Court against the Company, certain Directors, former directors, employees, former employees and consultants, seeking rescission of the Company’s acquisition of GunBroker.com and certain affiliated companies. Plaintiff Urvan’s claims include rescission, misrepresentation and fraud. The Company is currently in communications with its insurance carriers as concerns coverage (defense and indemnification), has engaged counsel and formal/legal service of process is being coordinated at this time. The Company and named defendants are in alignment in all respects, reasonably believe at this date that the claims are without merit and the Company has engaged Delaware Chancery Court litigation specialists to defend its interests in all respects in this case. There were no other known contingencies at March 31, 2023 and 2022.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“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. We anticipate that this ASC will not have a material effect on the Company’s financial statements.

In June 2022, the FASB issued ASU 2022-03, “Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions” which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The guidance also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction and requires specific disclosures for equity securities subject to contractual sale restrictions. These changes will become effective for the Company on April 1, 2024, with early adoption permitted. We are currently evaluating the potential impact of these changes.

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.

NOTE 3 – INCOME/(LOSS) PER COMMON SHARE

We calculate basic income/(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. We use the treasury stock method, in the determination of dilutive shares outstanding during each reporting period. We have issued warrants to purchase 2,460,946 shares of common stock. Due to the loss from operations in the year ended March 31, 2023, there are no common shares added to calculate the dilutive loss per share for that period as the effect would be antidilutive. The Company excluded warrants of 2,406,946 for the year ended March 31, 2023 and warrants of 150,000 and equity incentive awards of 20,000 for the year ended March 31, 2022, from the weighted average diluted common shares outstanding because their inclusion would have been antidilutive.

	For the Year Ended March 31,		
	2023	2022	2021
Numerator:			
Net income/(loss)	$ (4,596,038)	$ 33,247,436	$ (7,182,294)
Less: Preferred stock dividends	(3,105,034)	(2,668,648)	-
Net income/(loss) attributable to common stockholders	$ (7,701,072)	$ 30,578,788	$ (7,182,294)
Denominator:			
Weighted averaged shares of common stock - basic	117,177,885	112,328,680	55,041,502
Effect of dilutive common stock purchase warrants	-	1,861,040	-
Effect of dilutive equity incentive awards	-	-	-
	117,177,885	114,189,720	55,041,502
Basic earnings per share:			
Income/(loss) per share attributable to common stockholders - basic	$ (0.07)	$ 0.27	$ (0.14)
Diluted earnings per share:			
Income/(loss) per share attributable to common stockholders - diluted	$ (0.07)	$ 0.27	$ (0.14)

NOTE 4 – ACCOUNTS RECEIVABLE

Our net accounts receivable are summarized as follows:

	March 31, 2023	March 31, 2022
Accounts receivable	$ 32,592,931	$ 47,010,336
Less: allowance for doubtful accounts	(3,246,551)	(3,055,252)
	$ 29,346,380	$ 43,955,084

The following presents a reconciliation of our allowance for doubtful accounts for the periods presented:

March 31, 2021	$ 148,540
Increase in allowance	2,903,304
Write-off of uncollectible amounts	(12,703)
Purchase accounting	16,111
March 31, 2022	3,055,252
Increase in allowance	2,160,323
Write-off of uncollectible amounts	(1,969,024)
March 31, 2023	$ 3,246,551

NOTE 5 – INVENTORIES

At March 31, 2023 and March 31, 2022, the inventory balances are composed of:

	March 31, 2023	March 31, 2022
Finished product	$ 14,362,514	$ 6,167,318
Raw materials	23,898,596	33,924,813
Work in process	16,083,709	18,924,021
	$ 54,344,819	$ 59,016,152

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2023 and March 31, 2022:

	March 31, 2023	March 31, 2022
Leasehold Improvements	$ 257,009	$ 257,009
Building and Improvements	28,623,329	-
Furniture and Fixtures	384,650	343,014
Vehicles	153,254	153,254
Equipment	40,233,186	32,524,850
Tooling	143,710	143,710
Construction in Progress	734,781	14,335,371
Total property and equipment	$ 70,529,919	$ 47,757,208
Less accumulated depreciation	(14,566,664)	(10,119,402)
Net property and equipment	55,963,225	37,637,806

Depreciation Expense for the years ended March 31, 2023, 2022, and 2021 totaled $4,452,908, $4,266,126, and $2,904,968, respectively. Of these totals $3,747,723, $3,101,929, and $2,674,161 were included in cost of goods sold for the years ending March 31, 2023, 2022, and 2021. Additionally, $705,185, $1,164,197, and $230,797 were included in depreciation and amortization expenses in operating expenses.

NOTE 7 – 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 a 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. We did not have an outstanding balance on our Factoring liability as of March 31, 2023. As of March 31, 2022, the outstanding balance of the Factoring Liability was $485,671. Interest expense recognized on the Factoring Liability for the year ended March 31, 2023 was $153,646, including $37,500 of amortization of the commitment fee, for the year ended March 31, 2022, $327,746, including $100,000 of amortization of the commitment fee, for the year ended March 31, 2021, $305,747, including $50,000 of amortization of the commitment fee.

On June 17, 2021, this agreement was amended which extended the maturity date to June 17, 2024.

NOTE 8 – 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, 2022, the outstanding balance of the Inventory Credit Facility was $825,675 and no outstanding balance remained as of March 31, 2023. Interest expense recognized on the Inventory Credit Facility for the year ended March 31, 2023 was $6,580, for the year ended March 31, 2022 was $40,940, including $8,561 of amortization of the annual fee, and for the year ended March 31, 2021 was $171,414, including $36,439 of amortization of the annual fee.

NOTE 9 – LEASES

We lease office, manufacturing, and warehouse space in Scottsdale, AZ, Atlanta and Marietta, GA, and Manitowoc, WI under contracts we classify as operating leases. None of our leases are financing leases. The Scottsdale lease does not include a renewal option. In August of 2021 we extended the lease of our Atlanta offices through May of 2027, accordingly we increased our Right of Use Assets and Operating Lease Liabilities by $501,125 at September 30, 2021. In January of 2022, we extended the lease of our second Manitowoc, WI location and increased our Right of Use Assets and Operating Lease Liabilities by $308,326. We terminated our lease agreement in our first Manitowoc, WI location during the year ended March 31, 2023. Accordingly, we decreased our Right of Use Assets and Operating Lease Liabilities by $901,076.

As of March 31, 2023 and March 31, 2022, total Right of Use Assets were $1,261,634 and $2,791,850, respectively. As of March 31, 2023 and March 31, 2022, total Operating Lease Liabilities were $1,374,224 and $2,922,780, respectively. The current portion of our Operating Lease Liability on March 31, 2023 and March 31, 2022 is $470,734 and $831,429, respectively, and is reported as a current liability. The remaining $903,490 of the total $1,374,224 for the year ended March 31, 2023 and the $2,091,351 of the total $2,922,780 for the year ended March 31, 2022 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, 2023 was $881,171 including $861,777 of operating lease expense and $19,394 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, 2022 was $1,221,473 including $1,177,589 of operating lease expense and $43,884 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, 2021 was $844,441 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.

The weighted average remaining lease term and weighted average discount rate for operating leases were 3.3 years and 10.0%, respectively at March 31, 2023 and were 3.5 years and 10.0%, respectively at March 31, 2022.

Future minimum lease payments under non-cancellable leases as of March 31, 2023 are as follows:

Years Ended March 31,		
2024	$	583,768
2025		387,214
2026		351,962
2027		257,508
2028		43,660
Thereafter		-
		1,624,112
Less: Amount Representing Interest		(249,888)
	$	1,374,224

NOTE 10 – 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. 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 reclassed 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 was $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 $180,850 at March 31, 2023 and $865,771 at March 31, 2022. The Company recognized $48,665, $110,518, and $60,100 in interest expense on Amended Note B for the years ended March 31, 2023, 2022, and 2021, respectively.

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.

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.

NOTE 11 – CONSTRUCTION NOTE PAYABLE

On October 14, 2021, we entered into a Construction Loan Agreement (the "Loan Agreement") with Hiawatha National Bank ("Hiawatha"). The Loan Agreement specifies that Hiawatha may lend up to $11,625,000 to the Borrower to pay a portion of the construction costs of an approximately 160,000 square foot manufacturing facility to be constructed on our property (the "Loan"). The first advance of Loan funds by Hiawatha was made on October 14, 2021 in the amount of $329,843. We received advances of Loan funds approximately every month as our "owner's equity" was fully funded into the ongoing new plant construction project. The Loan is an advancing term loan and not a revolving loan so any portion of the principal repaid cannot be reborrowed.

Additionally, on October 14, 2021, we issued a Promissory Note in favor of Hiawatha (the "Note") in the amount of up to $11,625,000 with an interest rate of four and one-half percent (4.5%). The maturity date of the Note is October 14, 2026. Under the terms of the Loan Agreement, we are required to make monthly payments of $64,620 which consists of principial and interest until the maturity date, at which time the remaining principial balance of the Loan would become due.

We can prepay the Note in whole or in part starting in July 2022 with a prepayment premium of one percent (1%) of the principal being prepaid.

The Loan Agreement contains customary events of default including, but not limited to, a failure to make any payments pursuant to the Loan Agreement or Note, a failure to complete construction of the project, a lien of $100,000 or more against the property, or a transfer of the property without Hiawatha's consent. Upon the occurrence of an event of default, among other remedies, the amounts due pursuant to the Loan can be accelerated, Hiawatha can foreclose on the property pursuant to the mortgage, and a late charge of five percent (5%) of the amount due will be owed with all amounts then owed pursuant to the Note bearing interest at an increased rate.

For the year ended March 31, 2023 approximately $11.2 million of Loan funds were advanced including $1.0 million of cash collateral or restricted cash as security for the Loan. We made $150,743 in principal payments for the year ended March 31, 2023. The restricted cash can be released per the terms documented in the Loan Agreement filed with the Commission on Form 10-Q on February 14, 2022. During the year ended March 31, 2023, $500,000 of restricted cash was released to the Company.

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, 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 valued 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
- 1,000,000 shares were repurchased from JSC for a total value of $1,500,000 and subsequently cancelled

During the year ended March 31, 2022, we issued 23,385,780 shares of common stock as follows:

- 20,000,000 shares were issued in connection with our merger of Gemini Direct Investments, LLC valued at $142,691,282
- 431,080 shares were issued to investors for exercised warrants valued for $943,907
- 374,584 shares were issued for cashless exercise of 443,110 warrants
- 772,450 shares valued at $1,631,701 were issued for services and equipment provided to the Company
- 1,807,666 shares valued at $5,759,000 were issued to employees, members of the Board of Directors, and members of the Advisory Committee as compensation

During the year ended March 31, 2023, we issued 2,077,059 shares of common stock as follows:

- 200,003 shares were issued to investors for exercised warrants valued for $101,506
- 99,762 shares were issued for cashless exercise of 100,000 warrants
- 1,777,294 shares valued at $5,807,779 were issued to employees, members of the Board of Directors, and members of the Advisory Committee as compensation

At March 31, 2023, 2022, and 2021 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, 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

	Number of Shares	Weighted Averaged Exercise Price	Weighted Average Life Remaining (Years)
Outstanding at March 31, 2021	3,607,945	$ 2.31	3.24
Granted	200,000	0.01	3.92
Exercised	(874,190)	1.76	-
Forfeited or cancelled	-	-	-
Outstanding at March 31, 2022	2,933,755	$ 2.32	2.29
Exercisable at March 31, 2022	2,933,755	$ 2.32	2.29

	Number of Shares	Weighted Averaged Exercise Price	Weighted Average Life Remaining (Years)
Outstanding at March 31, 2022	2,933,755	$ 2.32	2.29
Granted	150,000	0.01	4.5
Exercised	(300,003)	0.34	-
Forfeited or cancelled	(322,806)	2.00	-
Outstanding at March 31, 2023	2,460,946	$ 2.46	1.59
Exercisable at March 31, 2023	2,460,946	$ 2.46	1.59

As of March 31, 2023, we had 2,460,946 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 911 shares of Common Stock at an exercise price of $1.65 per share until April 2025; (2) warrants to purchase 1,448,758 shares of our Common Stock at an exercise price of $2.00 per share consisting of 16% of the warrants until August 2024, and 84% until February 2026; (3) warrants to purchase 474,966 shares of Common Stock at an exercise price of $2.40 until September 2024; (4) warrants to purchase 386,311 shares of Common Stock at an exercise price of $2.63 until November 2025, and (5) warrants to purchase 150,000 shares of Common Stock at an exercise price of $6.72 until February 2024.

NOTE 13 – PREFERRED STOCK

On May 18, 2021, the Company filed a Certificate of Designations (the “Certificate of Designations”) with the Secretary of State of the State of Delaware to establish the preferences, voting powers, limitations as to dividends or other distributions, qualifications, terms and conditions of redemption and other terms and conditions of the Series A Preferred Stock.

The Series A Cumulative Redeemable Perpetual Preferred Stock (“Series A Preferred Stock”), as to dividend rights and rights as to the distribution of assets upon the Company’s liquidation, dissolution or winding-up, ranks: (1) senior to all classes or series of Common Stock and to all other capital stock issued by the Company expressly designated as ranking junior to the Series A Preferred Stock; (2) on parity with any future class or series of the Company’s capital stock expressly designated as ranking on parity with the Series A Preferred Stock; (3) junior to any future class or series of the Company’s capital stock expressly designated as ranking senior to the Series A Preferred Stock; and (4) junior to all the Company’s existing and future indebtedness.

The Series A Preferred Stock has no stated maturity and is not subject to mandatory redemption or any sinking fund. In the event of the voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of shares for the Series A Preferred Stock are entitled to be paid out of the Company's assets legally available for distribution to its stockholders (*i.e.*, after satisfaction of all the Company's liabilities to creditors, if any) an amount equal to $25.00 per share of the Series A Preferred Stock, plus any amount equal to any accumulated and unpaid dividends to the date of payment before any distribution or payment may be made to holders of shares of Common Stock or any other class of or series of the Corporation's capital stock ranking, as to rights to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up, junior to the Series A Preferred Stock.

The Company will pay cumulative cash dividends on the Series A Preferred Stock when, as and if declared by its board of directors (or a duly authorized committee of its board of directors), only out of funds legally available for payment of dividends. Dividends on the Series A Preferred Stock will accrue on the stated amount of $25.00 per share of the Series A Preferred Stock at a rate per annum equal to 8.75% (equivalent to $2.1875 per year), payable quarterly in arrears. Dividends on the Series A Preferred Stock declared by our board of directors (or a duly authorized committee of our board of directors) will be payable quarterly in arrears on March 15, June 15, September 15 and December 15.

Generally, the Series A Preferred Stock is not redeemable by the Company prior to May 18, 2026. However, upon a change of control or delisting event (each as defined in the Certificate of Designations), the Company will have a special option to redeem the Series A Preferred Stock for a limited period of time.

On May 19, 2021, we entered into an underwriting agreement (the "Underwriting Agreement") with Alexander Capital, L.P., as representative of several underwriters (collectively, the "Underwriters"), relating to a firm commitment public offering of 1,097,200 newly issued shares of our 8.75% 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 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 $27,430,000. The closing of the offering took place on May 21, 2021.

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 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. Additionally, the Underwriters 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.

Preferred dividends accumulated as of March 31, 2022 were $144,562. On August 27, 2021 the Board of Directors of the Company declared a dividend on the Company's Series A Preferred Stock for the period beginning May 21, 2021 (the first issuance date of the Series A Preferred Stock) through and including June 30, 2021 payable on September 15, 2021 to holders of record of Series A Preferred Stock on August 31, 2021 equal to $0.241246528 per share. Dividends totaling $337,745 were paid on September 15, 2021. On November 17, 2021, the Board of Directors of the Company declared a dividend on the Company's Series A Preferred Stock for the period beginning July 1, 2021 through and including December 14, 2021 payable on December 15, 2021 to holders of record of Series A Preferred Stock on November 30, 2021 equal to $1.01475694444444 per share. Dividends totaling $1,420,660 were paid on December 15, 2021. On February 18, 2022, the Board of Directors of the Company declared a dividend on the Company's Series A Preferred Stock for the period beginning December 15, 2021 through and including March 14, 2022 payable on March 15, 2022 to holders of record of Series A Preferred Stock on February 28, 2022 equal to $0.546875 per share. Dividends totaling $765,642 were paid on March 15, 2022.

Preferred dividends accumulated as of March 31, 2023 were $144,618. On February 17, 2023, the Board of Directors of the Company declared a dividend on the Company's Series A Preferred Stock for the period beginning December 15, 2022 through and including March 14, 2023 payable on March 15, 2023 to holders of record of Series A Preferred Stock on February 28, 2023 equal to $0.546875 per share. Dividends totaling $765,625 were paid on March 15, 2023. On November 18, 2022, the Board of Directors of the Company declared a dividend on the Company's Series A Preferred Stock for the period beginning September 15, 2022 through and including December 14, 2022 payable on December 15, 2022 to holders of record of Series A Preferred Stock on November 30, 2022 equal to $0.5529514 per share. Dividends totaling $774,132 were paid on December 15, 2022. On August 17, 2022, the Board of Directors of the Company declared a dividend on the Company's Series A Preferred Stock for the period beginning June 15, 2022 through and including September 14, 2022 payable on September 15, 2022 to holders of record of Series A Preferred Stock on August 31, 2022 equal to $0.55902778 per share. Dividends totaling $782,639 were paid on September 15, 2022. On May 12, 2022, the Board of Directors of the Company declared a dividend on the Company's Series A Preferred Stock for the period beginning March 15, 2022 through and including June 14, 2022 payable on June 15, 2022 to holders of record of Series A Preferred Stock on May 31, 2022 equal to $0.559027777777778 per share. Dividends totaling $782,639 were paid on June 15, 2022.

NOTE 14 – ACQUISITIONS

Gemini Direct Investments, LLC

On April 30, 2021 (the "Effective Date") we 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"). 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 an on-line auction marketplace dedicated to firearms, hunting, shooting, and related products. The Merger was completed on the Effective Date.

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 and repaid an aggregate amount of indebtedness of Gemini and its subsidiaries equal to $50,000,000 (the "Assumed Indebtedness"); and, (ii) the issued and outstanding membership interests in Gemini (the "Membership Interests"), held by the Seller, automatically converted into the right to receive (A) $50,000,000 (the "Cash Consideration"), 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; and (c) 1,500,000 shares that will not be issued prior to the Company obtaining stockholder approval for the issuance (the "Additional Securities").

The total estimated consideration consisted of cash payment of $50,000,000 less $1,350,046 of acquired cash, a working capital adjustment of $2,000,000, debt assumption and repayment upon closing of $50,000,000, contingent consideration of $10,755,000 for 1,500,000 Additional Securities, and 18,500,000 shares of AMMO Inc. Common Stock. The shares were valued at $7.17 per share, the five-day average closing price of the Company's Common Stock immediately preceding the signing of the binding agreement.

Pursuant to the Merger Agreement, the Company completed a Post-Closing Adjustment following the close of the Merger equal to the Closing Working Capital minus the Estimated Working Capital at closing of the Merger. Accordingly, the Company received a cash payment of $129,114 and adjusted the $2,000,000 Estimated Working Capital Adjustment in the fair value of the consideration transferred to $1,870,886.

In accordance with the acquisition method of accounting for business combinations, the assets acquired, and the liabilities assumed have been recorded at their respective fair values. The consideration in excess of the fair values of assets acquired, and liabilities assumed are recorded as goodwill, which we expect to be deductible for tax purposes. The goodwill consists largely of the growth and profitability expected from this Merger.

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

Cash	$ 48,649,954
Working capital adjustment	1,870,886
Contingent consideration	10,755,000
Common stock	132,645,000
Assumed debt	50,000,000
	$ 243,920,840

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

Accounts receivable, net	$ 17,002,362
Prepaid expenses	478,963
Equipment	1,051,980
Deposits	703,389
Other Intangible assets(1)	146,617,380
Goodwill(1)	90,870,094
Right of use assets - operating leases	612,727
Accounts payable	(12,514,919)
Accrued expenses	(196,780)
Operating lease liability	(704,356)
Total Consideration	$ 243,920,840

(1) Other intangible assets consist of Tradenames, Customer Relationships, Intellectual Property, and other tangible assets related to the acquired business.

We recorded approximately $1.3 million in transaction costs in the year ended March 31, 2022 related to the above acquisition.

Unaudited Pro Forma Results of Operations

These pro forma results of operations give effect to the acquisition as if it had occurred on April 1, 2021. Material pro forma adjustments include the removal of approximately $1.8 million of interest expenses and debt discount amortization and the addition of approximately $0.9 million of depreciation and amortization expenses.

INCOME STATEMENT DATA	For the Year Ended March 31, 2022
Net revenues	$ 248,314,587
Net income	$ 37,793,924

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations and financial position that would have been achieved had the acquisition been completed and taken place on the dates indicated or the future consolidated results of operations or financial position of the Company.

NOTE 15 – ACCRUED LIABILITIES

At March 31, 2023 and March 31, 2022, accrued liabilities were as follows:

	March 31, 2023	March 31, 2022
Accrued FAET	$ 1,808,065	$ 2,408,318
Accrued professional fees	736,323	66,000
Income taxes payable	403,739	1,749,488
Accrued sales commissions	252,366	932,712
Unearned revenue	101,593	201,891
Accrued interest	2,681	4,762
Accrued payroll	430,344	458,027
Other accruals	618,243	357,616
	$ 4,353,354	$ 6,178,814

NOTE 16– RELATED PARTY TRANSACTIONS

On November 3, 2022, AMMO, Inc. (the "Company") entered into a Settlement Agreement (the "Settlement Agreement") with Steven F. Urvan and Susan T. Lokey (collectively with each of their respective affiliates and associates, the "Urvan Group").

Pursuant to the Settlement Agreement, the Urvan Group has agreed to withdraw its notice of stockholder nomination of its seven director candidates (the "Urvan Candidates") and its demand to inspect books and records, pursuant to Section 220 of the General Corporation Law of the State of Delaware, and the Company agreed to immediately increase the size of the Board from seven to nine directors and appoint Christos Tsentas and Wayne Walker (each, a "New Director" and the New Directors together with Mr. Urvan, the "Urvan Group Directors") to the Board to serve as directors with terms expiring at the 2022 annual meeting of stockholders (the "2022 Annual Meeting"). The Company will include the Urvan Group Directors in its director candidates slate for the 2022 Annual Meeting and any subsequent annual meeting of stockholders of the Company occurring prior to the Termination Date (as defined below). The Company has agreed to not increase the size of the Board above nine directors prior to the Termination Date unless the increase is approved by at least seven directors. Mr. Wagenhals will continue to serve as a director and Chairman of the Board.

Unless otherwise mutually agreed to in writing by each party, the Settlement Agreement will remain in effect until the date that is the earlier of (i) 30 days prior to the earlier of (A) the deadline set forth in the notice requirements of Federal "Universal Proxy Rules" promulgated under Rule 14a-19(a) and Rule 14a-19(b) under the Securities Exchange Act of 1934, as amended (the "UPR Deadline") relating to the Company's 2023 annual meeting of stockholders (the "2023 Annual Meeting") and (B) any deadline that may be set forth in the Company's Amended and Restated Certificate of Incorporation (as amended from time to time, the "Certificate") or Bylaws (the "Bylaws") following the execution of the Settlement Agreement relating to the nomination of director candidates for election to the Board at the 2023 Annual Meeting, and (ii) 90 days prior to the first anniversary of the 2022 Annual Meeting (such date, the "Termination Date"). However, if the Company notifies Mr. Urvan in writing at least 15 days prior to such Termination Date that the Board irrevocably offers to re-nominate the Urvan Group Directors for election at the 2023 Annual Meeting and Mr. Urvan accepts such offer within 15 days of receipt of such notice, the Termination Date will be automatically extended until the earlier of (i) 30 days prior to the earlier of (A) the UPR Deadline relating to the Company's 2024 annual meeting of stockholders (the "2024 Annual Meeting") and (B) any deadline that may be set forth in the Certificate or the Bylaws following execution of the Settlement Agreement relating to the nomination of director candidates for election to the Board at the 2024 Annual Meeting, and (ii) 90 days prior to the first anniversary of the 2023 Annual Meeting. Notwithstanding the foregoing, the "Termination Date" shall not occur prior to 20 days after Mr. Urvan's departure from the Board.

Pursuant to the Settlement Agreement, the Company will suspend the previously announced separation of Company into Action Outdoor Sports, Inc. and Outdoor Online, Inc., pending the further evaluation of strategic options by the Board. The Company paid approximately $500,000 of the Urvan Group's costs, fees and expenses per the terms of the Settlement Agreement. Additionally, the Company issued 125,000 shares of Common Stock for a total value of $437,500 to an employee and issued 110,000 shares of Common Stock for a total value of $385,000 to an independent contractor as a result of termination without cause per the terms of the Settlement Agreement.

The foregoing summary of the Settlement Agreement does not purport to be complete and is subject to, and qualified in its entirety, by reference to the full text of the Settlement Agreement, a copy of which was previously filed as Exhibit 10.1 in the Form 8-K filed with the SEC on November 7, 2022, and incorporated herein by reference.

During the year ended March 31, 2023, we paid $551,916 in service fees to two independent contractors of which $223,333 were created as a result of termination without cause as a result of our Proxy Settlement Agreement. The two independent contractors 141,419 shares of our common stock for a total value of $494,967 in addition to the issuances described in the foregoing paragraphs. We issued 45,000 shares in the aggregate to its advisory committee members for service for a total value of $129,750. Through our acquisition of Gemini, a related party relationship was created through one of our Members of the Board of Directors by ownership of entities that transacts with Gemini. We recognized $215,300 in Marketplace Revenue for the year ended March 31, 2022 that was attributable to that relationship. There was $182,344 included in our Accounts Receivable at March 31, 2023 as a result of this relationship.

During the year ended March 31, 2022, we paid $229,083 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 $173,000. Through our acquisition of Gemini, a related party relationship was created through one of our Members of the Board of Directors by ownership of an entity that transacts with Gemini. We recognized $1,042,277 in Marketplace Revenue for the year ended March 31, 2022 that was attributable to that relationship. There was $139,164 included in our Accounts Receivable at March 31, 2022 as a result of this relationship.

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, we accrued interest of $352,157 related to the note. The 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 incurred $2.0 million in inventory support services, and $170,355 of rent expenses for the year ended March 31, 2023. Through the Administrative and Management Services Agreement the Company with JSC, the Company purchased approximately incurred $1.7 million in inventory support services, and $408,852 of rent expenses for the year ended March 31, 2022. For the year ended March 31, 2021, 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.

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.

The Company's balance of Amended Note B was $180,850 and $865,771 at March 31, 2023 and 2022, respectively. The Company recognized $48,665, $110,518, and $60,100 in interest expense on Amended Note B for the years ended March 31, 2023, 2022, and 2021, respectively.

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 17 – INCOME TAXES

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

	2023	2022	2021
Current			
US Federal	$ -	$ (1,302,811)	-
US State	-	(446,677)	-
Total current provision	-	(1,749,488)	-
Deferred			
US Federal	(578,679)	(7,727,011)	582,724
US State	(151,559)	(2,649,261)	137,276
Total deferred benefit	(730,238)	(10,376,272)	720,000
Change in valuation allowance	-	8,839,791	(720,000)
Income tax (provision) benefit	$ (730,238)	$ (3,285,969)	-

The reconciliation of income tax expense computed at the U.S. federal statutory rate of 21% to the income tax provision is as follows:

	2023	2022	2021
Computed tax expense	$ 21%	$ 21%	21%
State taxes, net of Federal income tax benefit	6%	7%	5%
Change in valuation allowance	0%	24%	(10)%
Employee stock awards	(40)%	4%	(5)%
Stock grants	(2)%	0%	(1)%
Stock for services	0%	0%	(6)%
Other	1%	0%	0%
Non-deductible meals & entertainment	0 %	0%	0%
Contingent consideration fair value	1%	1%	0%
Stock and Warrants on Note Conversion	(5)%	1%	(4)%
Total provision for income taxes	$ (18)%	$ 9%	0%

The Company's effective tax rates was (18%) for the year ended March 31, 2023. During the year ended March 31, 2023, the effective tax rate differed from the U.S. federal statutory rate primarily due to Employee stock awards.

Significant components of the Company’s deferred tax liabilities and assets are as follows:

	2023	2022
Deferred tax assets		
Net operating loss carryforward	$ 871,331	$ -
Loss on purchase	826,311	879,319
Other	-	-
Total deferred tax assets	$ 1,697,642	$ 879,319
Deferred tax liabilities		
Depreciation expense	$ (2,906,214)	$ (2,208,361)
Other	(1,101,020)	(207,439)
Total deferred tax liabilities	$ (4,007,234)	$ (2,415,800)
Net deferred tax assets/(liabilities)	$ (2,309,592)	$ (1,536,481)
Valuation allowance	-	-
Net deferred tax assets/(liabilities)	$ (2,309,592)	$ (1,536,481)

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, 2023 and 2022, 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, 2021, 2022, and 2023 are subject to audit.

NOTE 18 – GOODWILL AND INTANGIBLE ASSETS

During our fiscal year ended March 31, 2022, we recorded $90,870,094 of Goodwill generated from our Merger with Gemini. The balance of Goodwill at March 31, 2023 and 2022 was $90,870,094. We did not have any goodwill prior to the year ended March 31, 2022.

Total amortization expense of our intangible assets was $13,072,967, $13,072,967 and $1,971,188 for the years ended March 31, 2023, 2022, and 2021, respectively.

Intangible assets consisted of the following:

		March 31, 2023		
	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
GDI Acquisition:				
Tradename	15	-	-	76,532,389
Customer List	10	-	-	65,252,802
Intellectual Property	10	-	-	4,224,442
Other Intangible Assets	5	-	-	607,747
		250,000	7,074,005	151,763,617
Accumulated amortization – Licensing Agreements		(250,000)	-	-
Accumulated amortization – Patents		-	(2,041,251)	-
Accumulated amortization – Intangible Assets		-	-	(28,036,807)
		$ -	$ 5,032,754	$ 123,726,810

		March 31, 2022		
	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
GDI Acquisition:				
Tradename	15	-	-	76,532,389
Customer List	10	-	-	65,252,802
Intellectual Property	10	-	-	4,224,442
Other Intangible Assets	5	-	-	607,747
		250,000	7,074,005	151,763,617
Accumulated amortization – Licensing Agreements		(250,000)	-	-
Accumulated amortization – Patents		-	(1,547,787)	-
Accumulated amortization – Intangible Assets		-	-	(15,463,230)
		$ -	$ 5,526,218	$ 136,300,387

Annual estimated amortization of intangible assets for the next five fiscal years are as follows:

Years Ended March 31,	Estimates for Fiscal Year
2024	$ 13,102,785
2025	12,664,775
2026	12,664,775
2027	12,553,355
2028	12,543,226
Thereafter	65,230,648
	$ 128,759,564

NOTE 19 – SEGMENTS

On April 30, 2021, the Company entered into an agreement and plan of merger with Gemini, which, along with its subsidiaries, engages primarily in the operation of an online marketplace dedicated to firearms, hunting, shooting and related products. As a result, at March 31, 2023, our Chief Executive Officer reviews financial performance based on two operating segments as follows:

- Ammunition – which consists of our manufacturing business. The Ammunition segment engages in the design, production and marketing of ammunition, ammunition component and related products.
- Marketplace – which consists of the GunBroker.com Ecommerce marketplace. In its role as an auction site, GunBroker.com supports the lawful sale of firearms, ammunition and hunting/shooting accessories.

In the current period, we began the reporting of the separate allocation of certain corporate general and administrative expenses including non-cash stock compensation expense, as such we have updated the prior period disclosure herein. The following tables set forth certain financial information utilized by management to evaluate our operating segments for the annual periods presented:

	For the Year Ended March 31, 2023			
	Ammunition	Marketplace	Corporate and other expenses	Total
Net Revenues	$ 128,290,128	$ 63,149,673	$ -	$ 191,439,801
Cost of Revenues	126,914,265	9,116,939	-	136,031,204
General and administrative expense	10,378,456	9,707,425	25,302,873	45,388,754
Depreciation and amortization	578,326	12,700,436	-	13,278,762
Income/(Loss) from Operations	$ (9,580,919)	$ 31,624,873	$ (25,302,873)	$ (3,258,919)

	For the Year Ended March 31, 2022			
	Ammunition	Marketplace	Corporate and other expenses	Total
Net Revenues	$ 175,660,650	$ 64,608,516	$ -	$ 240,269,166
Cost of Revenues	142,773,306	8,732,351	-	151,505,657
General and administrative expense	11,932,721	8,434,308	17,544,970	37,911,999
Depreciation and amortization	1,579,778	12,122,370	-	13,702,148
Income/(Loss) from Operations	$ 19,374,845	$ 35,319,487	$ (17,544,970)	$ 37,149,362

	For the Year Ended March 31, 2021			
	Ammunition	Marketplace	Corporate and other expenses	Total
Net Revenues	$ 62,482,330	$ -	$ -	$ 62,482,330
Cost of Revenues	51,095,679	-	-	51,095,679
General and administrative expense	4,269,558	-	10,837,834	15,107,392
Depreciation and amortization	1,659,243	-	-	1,659,243
Income/(Loss) from Operations	$ 5,475,850	$ -	$ 10,834,834	$ (5,379,984)

Total assets by segment were as follows:

	March 31, 2023	March 31, 2022	March 31, 2021
Ammunition	$ 154,044,607	$ 160,305,107	$ 179,379,341
Marketplace	258,290,780	253,873,206	-
	$ 412,335,387	$ 414,178,313	$ 179,379,341

Total capital expenditures by segment were as follows:

	March 31, 2023	March 31, 2022	March 31, 2021
Ammunition	$ 10,819,177	$ 17,728,023	$ 7,437,265
Marketplace	1,722,148	1,490,959	-
	$ 12,541,325	$ 19,218,982	$ 7,437,265

NOTE 20 - SUBSEQUENT EVENT

Common Stock Issuances

Subsequent to March 31, 2023, we issued 25,111 shares of Common Stock to our employees, independent contractors and Members of our Board of Directors as compensation for a total value of $45,346 or $1.81 per share.

Note Payable Related Party Repayment

Subsequent to March 31, 2023, we repaid the remaining outstanding principal balance on Amended Note B.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended **March 31, 2023**

OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission File No. 001-13101

AMMO, Inc.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	**83-1950534**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 registrant (1) has 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 ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth 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.

☒

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

☐

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

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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, 2022) was $258,196,798.

As of June 9, 2023, there were 117,580,758 shares of $0.001 par value Common Stock outstanding.

Audit Firm ID	**Auditor Name**	**Auditor Location**
342	PANNELL KERR FORSTER OF TEXAS, P.C	Houston, Texas

EXPLANATORY NOTE

On June 14, 2023, Ammo, Inc. filed its Annual Report on Form 10-K for the fiscal year ended March 31, 2023 ("Original Form 10-K"). The Original Form 10-K omitted portions of Part III, Items 10 (Directors, Executive Officers and Corporate Governance), 11 (Executive Compensation), 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), 13 (Certain Relationships and Related Transactions, and Director Independence), and 14 (Principal Accountant Fees and Services) in reliance on General Instruction G(3) to Form 10-K, which provides that such information may be either incorporated by reference from the registrant's definitive proxy statement or included in an amendment to Form 10-K, in either case filed with the Securities and Exchange Commission ("SEC") not later than 120 days after the end of the fiscal year.

We no longer expect that the definitive proxy statement for our 2023 annual meeting of stockholders will be filed within 120 days of March 31, 2023. Accordingly, this Amendment No. 1 to Form 10-K ("Amendment") is being filed solely to:

- amend and restate Part III, Items 10, 11, 12, 13, and 14 of the Original Form 10-K to include the information required by such Items;
- amend and restate the exhibit list included in Part IV, Item 15 of the Original Form 10-K;
- delete the reference on the cover of the Original Form 10-K to the incorporation by reference of portions of our proxy statement into Part III of the Original Form 10-K; and
- file new certifications of our principal executive officer and principal financial officer as exhibits to this Amendment under Item 15 of Part IV hereof, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Because no financial statements are contained within this Amendment, we are not including certifications pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

This Amendment does not otherwise change or update any of the disclosures set forth in the Original Form 10-K and does not otherwise reflect any events occurring after the filing of the Original Form 10-K. Accordingly, the Amendment should be read in conjunction with the Original Form 10-K and the Company's filings made with the SEC subsequent to the filing of the Original Form 10-K. Capitalized terms used herein and not otherwise defined are defined as set forth in the Original Form 10-K.

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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.

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, 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 other subsidiaries listed on Exhibit 21.1 filed with our Annual Report on Form 10-K, and AMMO Technologies, Inc. (with AMMO Technologies, Inc. currently being inactive).

PART III

ITEM 10. DIRECTORS, 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 (the "Board") 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.

Name	Age	Position
Fred W. Wagenhals[(1)]	82	Executive Chairman of the Board
Jared R. Smith[(1)]	45	Chief Executive Officer and Director
Robert D. Wiley	31	Chief Financial Officer
Russell William Wallace, Jr.	66	Director
Jessica M. Lockett	37	Director
Richard R. Childress	77	Director
Steve F. Urvan	57	Director
Christos Tsentas	36	Director
Wayne Walker	64	Director
Randy Luth	56	Director

(1) Effective July 24, 2023, Jared R. Smith was appointed Chief Executive Officer and Director and Fred W. Wagenhals was appointed Executive Chairman. In connection with his appointment as Chief Executive Officer, Mr. Smith relinquished his prior titles of President and Chief Operating Officer. These roles have not yet been filled.

Jared R. Smith was appointed as Chief Executive Officer and a director of the Company on July 24, 2023; previously, Mr. Smith had served as the Company's President and Chief Operating Officer since January 2023. Mr. Smith has more than 17 years of experience in the ammunition industry. He was employed at Fiocchi of America, a global manufacturer of premium ammunition for competition, hunting and defense applications located in Ozark, Missouri from 2010 to December 2022, where, since 2017, he held the position of General Manager. As General Manager, Mr. Smith maintained full Profit and Loss ownership and managed separate manufacturing operations (340+ employees), while overseeing three acquisitions, and leading Fiocchi's revenue growth in three years from $95 million to in excess of $200 million. Prior to taking the General Manager role, Mr. Smith also held positions as the Vice President-International Strategy and Development and Director of Procurement and Supply Chain at Fiocchi of America.

We believe that Mr. Smith possesses attributes that qualify him to serve as a member of the Board, including his extensive business management experience and his knowledge of the firearms and ammunitions industry.

Fred W. Wagenhals has been the Chairman of the Board of the Company since December 2016. On July 24, 2023, Mr. Wagenhals assumed the position of Executive Chairman. Mr. Wagenhals also served as our Chief Executive Officer from December 2016 until July 24, 2023 and as our President from December 2016 through March 2021. Prior to joining AMMO, Mr. Wagenhals was a private investor from August 2005 until December 2016. Prior to that, Mr. Wagenhals was employed at Action Performance Companies, Inc., a leading designer and marketer of licensed motorsports products related to NASCAR, as Chairman, President, and Chief Executive Officer from November 1993 to December 2005, 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 Model Car Hall of Fame, was an Arizona Entrepreneur of the Year award recipient for the Retail/Wholesale category by the Center for Entrepreneurial Leadership, Inc. in 1997, and was honored as the Anheuser-Bush Entrepreneur in Residence at the University of Arizona College of Business and Public Administration during 1997 and 1998. He also taught a sports entrepreneurship class at the University of Arizona.

We believe that Mr. Wagenhals possesses attributes that qualify him to serve as a member of the Board, including his extensive business management experience, his knowledge of the firearms and ammunitions industry, his track record of building diverse distribution channels and developing a disciplined branding and marketing strategy at Action Performance, Inc., and his contributions to our overall business development and strategic direction.

Robert D. Wiley has been our Chief Financial Officer since January 2019. Prior to that, Mr. Wiley served as the Controller of the Company from May 2018 through January 2019 and was responsible for overseeing 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 and 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 the Company since June 2017. Mr. Wallace has been the principal shareholder of the Rusty Wallace Automotive Group, a group of eight automotive dealerships located in Eastern Tennessee, since 1991. Mr. Wallace owned Rusty Wallace Racing, a racing team that competed in the NASCAR Series, from 2006 to 2013, and he competed in NASCAR races as a driver for more than 16 years and had 55 victories prior to his retirement in 2005. Following his racing career, Mr. Wallace served as an analyst for ABC and ESPN from 2006 to 2014. Since 2015, Mr. Wallace has served as Lead Analyst for the Motor Racing Network, a U.S. radio network that syndicates broadcasts of auto racing events, particularly NASCAR. 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.

We believe that Mr. Wallace possesses attributes that qualify him to serve as a member of the Board, including his extensive experience in management, business operations, and growth of high-volume businesses including as the owner of auto dealerships and a NASCAR racing team.

Jessica M. Lockett has been a director of the Company since December 2020. Ms. Lockett is a corporate and securities law attorney with experience representing public and private companies at various stages of development with respect to matters of corporate governance, securities regulations (including Securities Act filings and Exchange Act reporting), mergers and acquisitions, financing, fundraising and other corporate 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. Ms. Lockett has been an attorney with Lockett + Horwitz, a professional law corporation, since 2016 and Ms. Lockett is an active member of the State Bar of California.

We believe that Ms. Lockett possesses attributes that qualify her to serve as a member of the Board, including her extensive experience in corporate and securities law with a focus on representing private and public companies at various stages of development. We believe that her experience enhances the Board's corporate governance.

Richard R. Childress has been a director of the Company since January 2021. Since 1969, Mr. Childress has owned and operated Richard Childress Racing, a professional racing team that currently competes in the NASCAR Cup Series and the NASCAR Xfinity Series. Mr. Childress also owns Childress Vineyards, which he founded in 2004. Childress Vineyards is situated in North Carolina's first federally designated region for grape growing and produces over 30 wines. 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.

We believe that Mr. Childress possesses attributes that qualify him to serve as a member of the Board, including his extensive experience building and leading high-performing businesses and teams and his deep knowledge of the firearms and ammunitions industry and relationships with important customers and other stakeholders through his experience as a member of the NRA's Board of Directors.

Steve F. Urvan has been a director of the Company since April 2021. Mr. Urvan was employed by the Company from April 2021 through January 5, 2023 as the Chief Strategy Officer of GunBroker.com. Mr. Urvan is the Founder and has been the Chief Executive Officer of BitRail, a compliant payments infrastructure, since February 2018. Mr. Urvan founded Gunbroker.com in 1999 and served as its the Chief Executive Officer until the Company acquired it in April 2021. 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.

We believe that Mr. Urvan possesses attributes that qualify him to serve as a member of the Board, including his extensive experience building and leading Gunbroker.com and his deep knowledge of the firearms and ammunitions industry via that leadership.

Christos Tsentas has been a director of the Company since November 2022. Mr. Tsentas has served as a Partner of Albion River LLC, a private direct investment firm, with a focus on aerospace, defense and government related opportunities since 2020. Earlier, he served as an investment banker at KippsDeSanto & Co., an M&A advisory firm focused on the aerospace and defense markets, from 2009 to 2015. Mr. Tsentas serves on the board of directors of Magpul Industries Corporation, a designer and manufacturer of firearms accessories and outdoor lifestyle products. Mr. Tsentas holds a B.S. in Finance and Accounting from the University of Virginia and an M.B.A. from Columbia Business School.

We believe that Mr. Tsentas possesses attributes that qualify him to serve as a member of the Board, including his experience as an investment banker with a focus on the defense industry and as a board member of a designer and manufacturer of firearms accessories.

Wayne Walker has been a director of the Company since November 2022 Mr. Walker has more than 30 years of experience in corporate law, governance and corporate restructuring, including 15 years at the DuPont Company in the Securities and Bankruptcy Group, where he worked in the Corporate Secretary's office and served as Senior Counsel. In 2003, Mr. Walker founded Walker Nell Partners, Inc. (“Walker Nell”), an international business consulting firm providing corporate governance and restructuring, fiduciary services, litigation support, and other services to client corporations and law firms, where he continues to serve as President. Earlier in his career, Mr. Walker served as Partner at ParenteBeard LLC, an accounting firm, from 2001 to 2004 and as Senior Legal Counsel at E. I. du Pont de Nemours and Company from 1984 to 1998. He has served: (i) on the board of directors of Wrap Technologies, Inc. (Nasdaq: WRAP), a global public safety technology and services company, since 2018 where he currently serves as chairman of the board and as a member of the board’s compensation committee, (ii) as chairman of the board of Petro Pharmaceuticals, Inc. (Nasdaq: PTPI), a men’s health company, since 2020, (iii) on the board of directors of AYRO, Inc. (Nasdaq: AYRO), a designer and producer of all-electric vehicles, since 2020 and (iv) on the board of directors of Pitcairn Trust Company, a national advisor to family offices, since 2018. He is the former Vice President of the Board of Education of the City of Philadelphia, Chairman of the Board of Trustees of National Philanthropic Trust, a public charity that holds over $20.0 billion of assets under management, and Chairman of the Board of Directors for Habitat for Humanity International, a global non-profit, non-governmental housing organization. Mr. Walker holds a B. A. from Loyola University New Orleans and a J.D. from the Columbus School of Law at the Catholic University of America. He also studied finance for non-financial managers at the University of Chicago’s Graduate School of Business.

We believe that Mr. Walker possesses attributes that qualify him to serve as a member of the Board, including his extensive public company board experience and his experience as an attorney for a large publicly traded company. The Board believes that Mr. Walker’s substantial knowledge and more than 30 years of experience in corporate governance, restructuring and corporate litigation enhances the Board’s corporate governance and related experience.

Randy Luth has been a director of the Company since January 2023. Mr. Luth has served as the president of Luth-AR-LLC, a producer of products for the AR-15 market, since 2013. Mr. Luth was the Chief Executive Officer of DPMS Panther Arms, a producer of AR-15 firearms and firearm components, from 1986 until its sale in December 2007 to the Freedom Group. Previously, Mr. Luth served as a director of the Company from November 2017 to January 2021.

We believe that Mr. Luth possesses attributes that qualify him to serve as a member of the Board, including his extensive experience building and leading firearm and firearm components companies and his deep knowledge of the firearms and ammunitions industry via that leadership.

Board Demographics and Skills Matrix

The matrix below provides information regarding our directors’ knowledge, skills, experiences, tenure, age and professional attributes, as well as certain demographic information that is based on the voluntary self-identification of each member of the Board as of July 28, 2023. The matrix does not encompass all the knowledge, skills, experiences, or attributes of our directors, and the fact that we do not list a particular item does not mean that a director does not possess it. In addition, the absence of a particular knowledge, skill, experience, or attribute with respect to a director does not mean the director is unable to contribute to the decision-making process in that area. The type and degree of knowledge, skill and experience listed below may vary among the members of the Board.

Skills and Experience	Wagenhals	Wallace	Smith	Luth	Lockett	Urvan	Childress	Walker	Tsentas
Public Company Board	●			●				●	
Public Company Executive	●		●						
Firearms / Ammunition Industry	●		●	●		●	●		●
Manufacturing	●		●	●					
Military / Law Enforcement									●
Finance / Accounting		●			●	●			●
Government / Policy / Legal				●	●	●		●	
Marketing / Sales	●	●				●	●		
Technology / Digital	●					●			
Tenure and Independence									
Tenure (Years)	6	6	1	1	2	2	2	1	1
Independence		●		●	●		●	●	●
Demographics									
Age	82	66	45	69	37	57	77	64	36
Gender Identity	M	M	M	M	F	M	M	M	M
African American or Black								●	
Alaskan Native or Native American									
Asian									
Hispanic or Latinx									
Native Hawaiian or Pacific Islander									
White	●	●	●	●	●	●	●		●
LGBTQ+					●				

For more information about the Board and Corporate Governance, see “Corporate Governance” below.

Family Relationships

There are no family relationships among our directors and executive officers. The Company’s Executive Vice President (a non-officer) is the son of our Executive Chairman, Fred Wagenhals.

Director Independence and Corporate Governance Matters

The Board 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 listing rules of the Nasdaq Stock Market LLC (“Nasdaq”). In this latter regard, the Board 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.

The Board has determined, after considering all the relevant facts and circumstances, that Russell W. Wallace Jr., Richard R. Childress, Jessica M. Lockett, Wayne Walker, Christos Tsentas, and Randy E. Luth are independent directors, as “independence” is defined by the listing standards of Nasdaq because they have no relationship with us that would interfere with their exercise of independent judgment in carrying out their responsibilities as a director. Jared R. Smith, Fred W. Wagenhals, and Steve F. Urvan are not “independent” as defined by the listing standards, as they are either employed by us and serve as an employee director or otherwise do not meet the independence listing standards.

Board Committees

Our bylaws authorize the Board to appoint from among its members one or more committees consisting of one or more directors. The Board has established an Audit Committee, a Compensation Committee, and a Nominations and Corporate Governance Committee.

In August 2022 the Board established a special committee to address the proxy contest initiated by Mr. Urvan.

On November 3, 2022, the Company entered into that certain Settlement Agreement by and among the Company, Steven F. Urvan, and Susan T. Lokey (the “Settlement Agreement”). Steven F. Urvan and Susan T. Lokey are, collectively, with each of their respective affiliates and associates, referred to herein as the “Urvan Group”. Under the terms of the Settlement Agreement, the Board formed a new committee of the Board charged with planning the succession of Fred Wagenhals as Chief Executive Officer of the Company with the assistance of a nationally recognized search firm (the “CEO Succession Committee”). The CEO Succession Committee consisted of four directors, Jessica M. Lockett, Russell W. Wallace, Wayne Walker, and Christos Tsentas. Ms. Lockett was appointed to serve as the Chair of this Committee.

Pursuant to the terms of the Settlement Agreement, upon the Board’s appointment of the CEO Succession Committee’s selection of Mr. Smith as the new CEO on July 24, 2023, one incumbent director who was not an Urvan Group Director (as defined in below in Item 13), Harry S. Markley, resigned from the Board to create a vacancy for the new Chief Executive Officer’s immediate appointment to the Board upon his appointment as the new Chief Executive Officer.

Having fulfilled its mandate, the CEO Succession Committee was dissolved as of July 28, 2023.

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

The Board has adopted charters for the Audit, Compensation, and Nominations and Corporate Governance Committees describing the authority and responsibilities delegated to each committee by the Board. The Board has also adopted Corporate Governance Guidelines, a Code of Conduct applicable to all of our employees and directors, and a Code of Ethics applicable to the Chief Executive Officer and senior financial officers, including our Chief Financial Officer and principal accounting officer. 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 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 Company's accounting and financial reporting processes and audits of its financial statements and providing assistance to the Board with respect to its oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of our independent auditor. The primary responsibilities of the Audit Committee are set forth in its charter and include various matters with respect to the oversight of the Company's accounting and financial reporting process and audits of the Company's financial statements on behalf of the Board. The Audit Committee also selects the independent registered public accounting firm to conduct the annual audit of the Company's financial statements, reviews the proposed scope of such audit, approves the fees for services provided by the independent registered public accounting firm, reviews the Company's accounting and financial controls with the independent registered public accounting firm 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, Richard Childress, and Christos Tsentas. Ms. Lockett was appointed to serve as Chair of the Board's Audit Committee. The Board has determined that each of Mr. Tsentas and Ms. Lockett, whose backgrounds are detailed in director biographies on pages 5 and 6, qualify as "audit committee financial experts" as defined in Item 407(d)(5) of Regulation S-K and are independent as defined in the Nasdaq listing standards.

The Compensation Committee

The purpose of the Compensation Committee includes determining, or when appropriate, recommending to the Board for determination, the compensation of our Chief Executive Officer and other executive officers and discharging the responsibilities of the Board relating to Company compensation programs 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 Nasdaq, the SEC, and other applicable regulatory bodies. While the Compensation Committee has the right to 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 has never retained an independent compensation consultant. 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., Randy Luth, and Wayne Walker.

The Nominations and Corporate Governance Committee

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

The Nominations and Corporate Governance Committee will consider persons recommended by stockholders for inclusion as nominees for election to the Board 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 the Board, 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 the Board.

The Nomination and Corporate Governance Committee currently consists of Randy Luth and Jessica Lockett.

Executive Sessions

We regularly schedule executive sessions in which independent directors meet without the presence or participation of management. The chairs of various Board committees 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. The Board, as a whole and through its committees, has responsibility for the oversight of risk management.

In its oversight role, the Board's 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. The Board receives updates at least quarterly from senior management and periodically from outside advisors regarding the various risks that we face, including operational, economic, financial, legal, regulatory, and competitive risks. The Board also reviews the various risks that 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.

The 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 Company's financial and reporting processes and the audit of the Company's financial statements and provides assistance to the Board with respect to the oversight and integrity of the Company's financial statements and compliance with legal and regulatory requirements, the independent registered public accounting firm's qualification and independence, and the performance of our independent registered public accounting firm. The Compensation Committee considers the risk of our compensation policies and practices and endeavors to ensure that it is not reasonably likely that our compensation plans and policies would have a material adverse effect on the Company. The 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 the Board. We believe that 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 the Company. We also believe that 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. Director 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 the Board from time to time.

All of our directors have held high-level positions in business, the firearm and ammunition industry, 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 Company's business and affairs. 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 the 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. As of July 24, 2023, however, these roles have been separated. Mr. Wagenhals serves as Chairman of the Board and Mr. Smith serves as Chief Executive Officer.

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 of Common Stock.

Stock Ownership Guidelines

The Board does not currently have stock ownership guidelines.

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 the Board. The policy is effective for financial statements for periods beginning on or after April 1, 2018. The SEC has adopted final rules and Nasdaq has adopted listing rules regarding the clawback requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Nasdaq's clawback listing rules will take effect on October 2, 2023 and we are reviewing this policy and will make any amendments necessary to comply with the new listing rules.

Board and Committee Meetings

During the year ended March 31, 2023, the Board held nine meetings, the Audit Committee held five meetings, the Compensation Committee held one meeting and the Nominations and Corporate Governance Committee held one meeting.

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 the Board or specific members thereof, including our independent directors and the members of our various Board committees, by submitting a letter addressed to the Board 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.

Delinquent Section 16(a) Reports

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, 2023, all of the Company's officers, directors and 10% stockholders have made the required filings other than three Form 4 filings. One Form 4 regarding the issuance of shares to Mr. Wiley which was filed late and two Forms 4 reporting sale transactions of an aggregate of 40,000 shares that were filed late by Mr. Markley (who resigned from the Board on July 24, 2023), and the failure of each of Mr. Smith and Mr. Luth to file their initial Form 3 upon becoming an officer and a director of the Company, respectively, in January 2023.

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.

ITEM 11 EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The purpose of the Compensation Committee includes determining, or when appropriate, recommending to the Board for determination, the compensation of our Chief Executive Officer and other executive officers and discharging the Board's responsibilities relating to Company compensation programs 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. Since its formation, the Compensation Committee has not engaged any compensation consultants. Although we do not target executive compensation to any peer group median, we strive to provide a compensation package that is competitive in the market and rewards each executive's performance.

Executive Compensation Philosophy and Objectives

Our executive compensation program is designed to attract, retain and reward executive officers in alignment with our business objectives and long-term shareholder interests. For fiscal 2023, the material elements of our executive compensation program were base salary, cash bonuses and equity-based compensation in the form of fully vested shares of Common Stock.

Compensation Program Objectives

We structure our executive compensation programs by encompassing three compensation elements: base salary; performance-based cash bonuses; and equity awards. We believe that that the combination of these three elements allows the Company to attract, retain and reward executive officers in alignment with our business objectives and long-term shareholder interests. The discussion below describes the methodology we used in determining why we believe each element of compensation is aligned with the interest of our shareholders. In determining the amounts to pay, the Compensation Committee considers the performance by the named executive officer of their responsibilities and duties required of the named executive officers as well as the compensation for similar positions at comparable companies.

Base Salary

Base salaries provide a level of fixed compensation sufficient to attract and retain a high-quality leadership team, when considered in combination with the other components of our executive compensation program. The Compensation Committee reviews base salaries annually to ensure they are in line with industry standards and experience notwithstanding that we have entered into employment agreements with our named executive officers.

For fiscal 2023, the base salaries for Messrs. Wagenhals, Wiley, Smith and Goodmanson were set at $475,000, $240,000, $475,000, and $240,000 respectively.

Cash Bonuses

Pursuant to the terms of his employment agreement, Mr. Wagenhals was entitled to a quarterly performance bonus in an amount equal to 0.25% of the Company's gross sales. Under the terms of his employment agreement, Mr. Wiley is eligible to receive an annual cash bonus in an amount up to 20% of his annual base salary, to be issued at the sole discretion of the Board. Historically, the Board has not authorized the payment of a discretionary bonuses to executive officers. Mr. Smith received a performance bonus of 100% of his prorated salary for the last quarter of fiscal year 2023 per the terms of his employment agreement. We believe that cash bonuses allow us to attract and retain our executive officers in alignment with our business objectives.

On June 12, 2023, following a review of Mr. Wiley's performance over the past three years the Board approved a one-time cash bonus payment to Mr. Wiley. The Company paid $129,000 to Mr. Wiley on June 15, 2023. This amount represents 20% of the total base salary paid to Mr. Wiley in the three years ended March 31, 2023, which is the maximum amount per the terms of his employment agreement.

Equity Awards

We provide equity compensation to our named executive officers in order to further align their interests with those of our shareholders and to further focus our named executive officers on our long-term performance. Pursuant to the terms of their employment agreements, Messrs. Wagenhals, Wiley, and Smith are entitled to receive 200,000, 100,000, and 200,000 shares of Common Stock, respectively, in each of the first three years of their employment with the Company. Such shares are granted in equal installments following the end of each calendar quarter, subject to the named executive officer's continued employment. The number of shares of Common Stock to be granted pursuant to the named executive officers' employment agreements are not subject to adjustment in the event of a stock split, stock dividend, recapitalization or similar event unless such adjustment is expressly agreed upon by the Company and the holder. Equity awards are granted annually and issued quarterly per the terms of the respective employment agreements.

Shareholder Engagement

At our January 5, 2023 annual meeting of shareholders, our most recent vote related to “say-on-pay,” our shareholders approved our executive compensation practices with an overwhelming 88% of the votes cast in favor of our compensation structure. We value and continue to seek the feedback we receive from our shareholders in regard to our executive compensation practices.

Perquisites and Other Personal and Additional Benefits

Executive officers participate in employee benefit plans on the same terms as other officers (including officers of subsidiaries). Employee benefit plans available to executive officers are generally available to all employees, however, while 100% of officers’ health insurance premiums are subsidized by the Company, only a portion of non-officer employees’ premiums are subsidized. Benefits included in the employee benefit plans consist of various health, life, and disability insurances, as well as retirement benefits comprised of 401(k) contribution matching up to 3% of eligible compensation.

The Company provides named executive officers with perquisites and other employee benefits, as described in the Summary Compensation Table, that the Company believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key positions.

The Company maintains a tax-qualified 401(k) savings plan that allows participants to defer eligible compensation up to the maximum permitted by the Internal Revenue Service and provides for discretionary matching contributions by the Company.

Accounting and Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”) generally disallows a tax deduction to public corporations for compensation over $1,000,000 paid for any fiscal year to an individual who was a named executive officer. The Compensation Committee and the Board will continue to design compensation programs that are in the best long-term interests of the Company and our shareholders, with deductibility of compensation being one of a variety of considerations taken into account.

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.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee was an officer or employee of the Company or any subsidiary of the Company during the fiscal year ended March 31, 2023 or was formerly an officer of the Company. None of our executive officers was a director or a member of the compensation committee of another entity during the fiscal year ended March 31, 2023. During our 2023 fiscal year, Messrs. Markley, Wallace and Walker served on the Compensation Committee. None of these individuals had any material contractual or other relationships with us during such fiscal year except as directors.

Compensation Committee Report

The Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth in this Amendment as required by Item 402 of Regulation S-K promulgated by the SEC and, based on this review and discussion, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Amendment.

Respectfully submitted by the members of the Compensation Committee:

Russell W. Wallace Jr.
Wayne Walker
Randy E. Luth

Summary Compensation Table

The following table sets forth for the years ended March 31, 2023, 2022 and, 2021, information with respect to compensation earned for services in all capacities to us and our subsidiaries by the Company’s Chief Executive Officer and the Company’s Chief Financial Officer. The table sets forth for the years ended March 31, 2023, 2022 and, 2021, information with respect to compensation for services in all capacities to us and our subsidiaries earned by the one other most highly compensated executive officer who received total compensation in excess of $100,000. The Company did not have more than three (including the CEO and CFO) executive officers in any of the years ended March 31, 2023, 2022 and, 2021.

We refer to our CEO, CFO, and one other executive officer as our "named executive officers." Messrs. Wagenhals and Wiley were named executive officers in each of the 2021, 2022 and 2023 fiscal years. Mr. Hilko was a named executive officer in the 2021 fiscal year. Mr. Goodmanson was a named executive officer in the 2022 and 2023 fiscal years. Mr. Smith is a named executive officer as of January 5, 2023.

Name and Principal Position	**Year**	**Salary (1)**	**Bonus (1)**	**Stock Awards (2)**	**All other compensation (3)**	**Total**
Fred W. Wagenhals (4)						
Chief Executive Officer,	2023	$ 475,000	$ 478,636	$ 840,000	$ 24,062	$1,817,698
and Director	2022	$ 298,750	$ 572,463	$ 481,250	$ 0	$1,352,463
	2021	$ 240,000	$ 96,004	$ 157,500	$ 0	$ 493,504
Robert D. Wiley						
Chief Financial Officer	2023	$ 240,000	$ 0	$ 350,000	$ 15,084	$ 605,084
	2022	$ 217,083	$ 0	$ 350,000	$ 0	$ 567,083
	2021	$ 127,500	$ 0	$ 90,977	$ 0	$ 218,477
Jared R. Smith (5)						
President and Chief Operating Officer	2023	$ 118,750	$ 118,750	$ 175,000	$ 29,086	$ 441,586
Robert J. Goodmanson (6)						
President	2023	$ 180,000	0	$ 446,250	$ 84,973	711,223
	2022	$ 240,000	$ 0	$ 595,000	$ 0	$ 835,000
Steve Hilko						
Chief Operating Officer (7)	2021	$ 163,542	$ 0	$ 58,333	$ 0	$ 221,875

(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 our 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 amounts in this column for fiscal 2023 consist of (i) with respect to Mr. Wagenhals, the cost to the Company of a car allowance, (ii) with respect to Mr. Wiley, $7,200 for 401(k) matching contributions, a $7,644 aggregate incremental cost to the Company of the health and medical insurance premiums for Mr. Wiley and a $240 incremental cost to the Company of a life insurance policy for Mr. Wiley, (iii) with respect to Mr. Smith, $24,458 for a relocation allowance and a $4,628 aggregate incremental cost to the Company of the health and medical insurance premiums for Mr. Smith and his family, and (iv) with respect to Mr. Goodmanson, $66,338 in severance payments, $3,580 for 401(k) matching contributions, a $14,040 aggregate incremental cost to the Company of the health and medical insurance premiums for Mr. Goodmanson and his family and a $1,015 incremental cost to the Company of a life insurance policy for Mr. Goodmanson. 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) Effective July 24, 2023, Mr. Wagenhals assumed the role of Executive Chairman.

(5) Effective January 3, 2023, Mr. Smith was appointed as our President and Chief Operating Officer. Effective July 24, 2023, Mr. Smith was appointed Chief Executive Officer.

(6) On March 26, 2021, Mr. Goodmanson was appointed as our President. Mr. Goodmanson resigned from his role as President on December 31, 2022.

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

Employment Agreements

We have entered into employment agreements with each of our named executive officers, the material terms of which are set forth below.

The Company and Mr. Wagenhals were parties to an employment agreement effective January 1, 2022, with respect to Mr. Wagenhals' service as Chief Executive Officer. Mr. Wagenhals' employment agreement provides for a base salary of $475,000 per year, an annual equity award of 200,000 restricted shares of Common Stock, to be granted in equal quarterly installments for three years following the effective date of the agreement, and a quarterly bonus equal to 0.25% of the Company's gross sales.

In connection with Mr. Wagenhals being appointed Executive Chairman, on June 24, 2023, the Company and Mr. Wagenhals entered into that certain Amended and Restated Employment Agreement (the "Wagenhals Agreement"). The Wagenhals Agreement is for an initial term of twelve (12) months. Pursuant to the Wagenhals Agreement, Mr. Wagenhals will receive the following payments in connection with his transition from CEO to Executive Chairman: (i) a cash payment of $475,000; and (ii) a cash payment of $585,289.64, representing the performance bonus payable under the prior employment agreement between the Company and Mr. Wagenhals. Mr. Wagenhals will also receive 300,000 shares of Common Stock. During the term of his employment, Mr. Wagenhals will receive an annual base salary of $400,000 and 180,000 shares of Common Stock issued quarterly. Mr. Wagenhals will also be eligible to earn a performance bonus in such amount, if any, as determined in the sole discretion of the Board.

The Company and Mr. Wiley are parties to an employment agreement effective January 29, 2021, pursuant to which Mr. Wiley serves as our Chief Financial Officer. The agreement has a three year term. Pursuant to an amendment thereto effective June 1, 2023, Mr. Wiley's employment agreement provides for a base salary of $325,000 per year; during fiscal 2023, Mr. Wiley's annual base salary was $240,000 per year pursuant to an amendment to his employment agreement effective September 1, 2021. Mr. Wiley's employment agreement also provides for an annual equity award of 100,000 restricted shares of Common Stock, to be granted in equal quarterly installments for three years following the January 29, 2021 effective date of the agreement. The agreement also provides that Mr. Wiley is eligible to earn an annual bonus up to 20% of his base salary in the sole discretion of the Board.

The Company and Mr. Smith were parties to an employment agreement effective December 15, 2022, with respect to Mr. Smith's service as our Chief Operating Officer. Mr. Smith's employment agreement provides for a base salary of $475,000 per year and that Mr. Smith will be eligible for annual increases in his base salary of up to 6% per year based upon performance in the discretion of the Compensation Committee of the Board. Mr. Smith's employment agreement also provides for an annual equity award of 200,000 restricted shares of Common Stock, which shall be earned and vest quarterly for three years following the December 15, 2022 effective date of the agreement, and a 3% match on his 401(k) contributions after his first year of employment. The agreement also provides that Mr. Smith is eligible to receive a performance-based bonus as determined in the sole discretion of the Compensation Committee of the Board from time to time, with the bonus target being 100-125% of his annual base salary, and that for fiscal 2023 such bonus is guaranteed for the sum of the pro-rated portion of his annual base salary. The agreement also provides that Mr. Smith will receive as compensation for his service on the Board, consistent with the compensation of the other members of the Board, 10,000 shares of Common Stock each quarter.

In connection with Mr. Smith being appointed Chief Executive Officer, on July 24, 2023, the Company and Mr. Smith entered into that certain Amended and Restated Employment Agreement (the "Smith Agreement"). The Smith Agreement is for an initial term of three (3) years and may be terminated by either party with or without cause (provided, however, that if the Company terminates Mr. Smith without cause then he will be entitled to compensation including salary and insurance benefits for a period of twelve (12) months from the effective date of termination and 100% of his remaining unissued equity compensation). Pursuant to the Smith Agreement, Mr. Smith will receive an annual base salary of $500,000 and annual stock compensation of approximately 133,333 shares of the Company's Common Stock, par value $0.001 per share (the "Common Stock"), vested and issuable on a quarterly basis. Mr. Smith will be eligible to earn a performance bonus in such amount, if any, as determined in the sole discretion of the Board. Pursuant to the Smith Agreement, Mr. Smith was granted stock options under the Company's 2017 Equity Incentive Plan (the "Plan") to purchase 400,000 shares of Common Stock (the "Smith Stock Options"). The Smith Stock Options will vest on the following schedule: (i) 100,000 shares of the Options will vest on the Effective Date, and (ii) 300,000 shares of the Options will vest in equal quarterly installments of 25,000 over 3 years beginning at the end of the September 30, 2023 quarter, provided, in each case, that Mr. Smith remains in the continuous employ of the Company as of the end of each quarter.

In the event the Company terminates Mr. Smith's or Mr. Wagenhals' or Mr. Wiley's employment due to a termination for cause or they voluntarily terminate employment with the Company without good reason, they are entitled to accrued but unpaid salary, reimbursable expenses and benefits owed through the last day of employment and all vested shares through date of termination.

In the event that Mr. Smith's or Mr. Wagenhals' or Mr. Wiley's continuous status as an employee of the Company is terminated by the Company without cause or they terminates the employment with the Company for good reason, in either case upon or within twelve months after a change of control, (i) they will receive salary for a period of twelve months (in the case of Messrs. Smith and Wagenhals) and for the duration of the employment agreement's term (in the case of Mr. Wiley), (ii) 100% of their remaining unissued equity compensation, (iii) entitlement to their bonus through the date of termination, if applicable (in the case of Messrs. Smith and Wagenhals) and for the duration of the employment agreement's term (in the case of Mr. Wiley), and (iv) in the case of Messrs. Smith and Wagenhals, release from any restriction on non-competition.

In the event of retirement of a named executive officer, no additional benefits are paid unless otherwise agreed to.

Grant of Plan-Based Awards

Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($)	Grant date fair value of stock and option awards (2)
Fred W. Wagenhals	1/1/22	-	-	-	-	-	-	150,000	-	-	$525,000
	1/1/23	-	-	-	-	-	-	50,000	-	-	$175,000
Robert D. Wiley	1/29/22	-	-	-	-	-	-	75,000	-	-	$262,500
	1/29/23	-	-	-	-	-	-	25,000	-	-	$ 87,500
Jared R. Smith	1/5/23	-	-	-	-	-	-	50,000	-	-	$175,000
Robert J. Goodmanson	3/26/22	-	-	-	-	-	-	97,500	-	-	$341,250

(1) Stock award granted per employment agreements.

(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 the Original 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.

Option Exercises and Stock Vested

	Option awards		Stock awards	
Name	Number of shares acquired on exercise (#)	Value realized on exercise ($)	Number of shares acquired on vesting (#)	Value realized on vesting ($)(1)
Fred W. Wagenhals	-	-	200,000	$ 700,000
Robert D. Wiley	-	-	100,000	$ 350,000
Jared R. Smith	-	-	50,000	$ 175,000
Robert J. Goodmanson	-	-	97,500	$ 341,250

(1) 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 the Original 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.

CEO Pay Ratio

The following table presents the median of the annual total compensation of all our employees (other than Mr. Wagenhals, our Chief Executive Officer), the annual total compensation of Mr. Wagenhals, our Chief Executive Officer during our 2023 fiscal year, and the ratio between the two. This ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Securities Act.

Fiscal year 2023 Chief Executive Officer Compensation	$	1,817,698
Fiscal year 2023 median employee annual total compensation	$	41,770
Ratio of Chief Executive Officer to median employee annual total compensation		44:1

In identifying our median employee, we chose March 31, 2023, which is the last day of our most recently completed fiscal year, as the determination date. All of our employees are based in the United States and all 595 were considered for identifying the median employee which we did by applying a consistently applied compensation measure across our employee population. For our consistently applied compensation measure, we used annual base salary, as it represents the primary compensation component paid to all of our employees. As a result, annual base salary provides an accurate depiction of total earnings for identifying our median employee. In determining the annual total compensation of the median employee, we the calculated such employee's compensation using the same methodology we use for our named executive officers as set forth in our Summary Compensation table. With respect to the annual total compensation of our Chief Executive Officer, we used the amount reported in the "Total" column for fiscal 2023 in our summary compensation table.

SEC rules and guidance provide significant flexibility in how companies identify the median employee, and each company may use a different methodology and make different assumptions particular to that company. As a result, and as the SEC explained when it adopted these rules, in considering the pay-ratio disclosure, stockholders should keep in mind that the rules were not designed to facilitate comparisons of pay ratios among different companies, even companies within the same industry, but rather were designed to allow stockholders to better understand and assess each particular company's compensation practices and pay-ratio disclosures.

Director Compensation

The following table sets forth, for the year ended March 31, 2023, 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, 2023.

Name	Fees Earned or Paid In Cash (1)	Stock Awards (2)	Option Awards	Nonequity incentive plan compensation	Change in Pension Value and Nonqualified deferred compensation earnings	All other compensation (3)	Total
Russell William Wallace Jr.	$ 0	$140,000	$ -	$ -	$ -	$ -	$140,000
Harry Markley	$ 0	$140,000	$ -	$ -	$ -	$ -	$140,000
Jessica M. Lockett	$ 48,000	$140,000	$ -	$ -	$ -	$ -	$188,000
Richard R. Childress	$ -	$140,000	$ -	$ -	$ -	$ -	$140,000
Steve Urvan (3)	$183,692	$140,000	$ -	$ -	$ -	$ 15,561	$339,253
Wayne Walker (4)	$ -	$ 17,500	$ -	$ -	$ -	$ -	$ 17,500
Christos Tsentas (4)	$ -	$ 17,500	$ -	$ -	$ -	$ -	$ 17,500
Randy E. Luth (5)	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

(2) We make an annual grant to each director of 40,000 shares of our Common Stock. 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 Original Form 10-K for year ended March 31, 2023. 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) Mr. Urvan was employed by the Company from April 2021 through January 5, 2023 as the Chief Strategy Officer of GunBroker.com. Mr. Urvan is not a named executive officer, and therefore, is included in the Director Compensation Table. The amounts reported in the columns "Fees Earned or Paid In Cash" and "All other compensation" are related to his compensation as an employee of the Company for the fiscal year ended March 31, 2023. The amounts reports in "All other compensation" represent $5,511 for 401(k) matching contributions, a $9,730 aggregate incremental cost to the Company of the health and medical insurance premiums for Mr. Urvan and his family and a $320 incremental cost to the Company of a life insurance policy for Mr. Urvan.

(4) Mr. Walker and Mr. Tsentas were each appointed as a member of the Board on November 3, 2022.

(5) Mr. Luth was appointed as a member of the Board on January 5, 2023.

Outstanding Equity Awards at Fiscal Year-end

As of March 31, 2023 and March 31, 2022, there were no outstanding stock options or restricted stock units. During the years ended March 31, 2023 and March 31, 2022, 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.

Pension Benefits

We do not have any plans that provide for payments or other benefits at, following, or in connection with retirement.

Non-qualified Deferred Compensation

We do not have any non-qualified defined contribution plans or other deferred compensation plans.

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

The following table sets forth, as of July 28, 2023, 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, to the Company's knowledge, who hold 5% or more of the outstanding shares of Common Stock of the Company.

The amounts and percentages of 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 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 July 28, 2023.

Name of Beneficial Owner	Number of Shares of Common Stock Owned Beneficially	Percent of Class (1)
Named Executive Officers and Directors		
Fred W. Wagenhals (2)	7,141,700	6.1%
Robert D. Wiley	220,838	*
Jared R. Smith	205,000	*
Russell William Wallace, Jr.	530,000	*
Jessica M. Lockett	100,000	*
Richard R. Childress	257,500	*
Steve F. Urvan	20,080,000	17.0%
Wayne Walker	26,413	*
Christos Tsentas	26,413	*
Randy E. Luth	428,555	*
All directors and officers as a group (10 persons)	29,016,419	24.6%

* Less than 1%

(1) Based on 117,957,921 shares of Common Stock outstanding as of July 28, 2023.

(2) Mr. Wagenhals owns a total of 7,141,700 shares of Common Stock, 6,991,700 shares are held directly and 150,000 indirectly by the Fred W. Wagenhals Trust.

Changes in Control

Two of our stockholders own 27,221,700, or 23.1% of our outstanding shares of Common Stock. The principal stockholders both serve as directors and one of them is an executive officer. They exercise significant influence over the control of our Company and may be able to cause or prevent a change in control.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of March 31, 2023 with respect to our compensation plans under which equity securities may be issued.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
2017 Equity Incentive Plan	-	-	1,946,929
Total	-	-	1,946,929

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. On March 30, 2023, the Company amended the 2017 Equity Incentive Plan to reserve and authorize an additional 1,000,000 shares of its Common Stock to be issued. There were 1,946,929, 2,005,304 and 3,559,170 shares remaining to be issued under the plan at March 31, 2023, 2022, and 2021, respectively.

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

The following is a description of each transaction since April 1, 2022 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeds $120,000; and
- any related person had or will have a direct or indirect material interest.

While the Company does not current have a written policy regarding approval of transactions between the Company and a related party, our Board of Directors, as matter of appropriate corporate governance, reviews and approves all such transactions, to the extent required by applicable rules and regulations. Generally, management would present to the Board of Directors for approval at the next regularly scheduled Board of Directors meeting any related party transactions proposed to be entered into by us. The Board of Directors may approve the transaction if it is deemed to be in the best interests of our shareholders and the Company.

On November 3, 2022, the Company entered into the Settlement Agreement with Steven F. Urvan and Susan T. Lokey (collectively with each of their respective affiliates and associates, the "Urvan Group").

Pursuant to the Settlement Agreement, the Urvan Group agreed to withdraw its notice of stockholder nomination of its seven director candidates and its demand to inspect books and records, pursuant to Section 220 of the General Corporation Law of the State of Delaware, and the Company agreed to immediately increase the size of the Board from seven to nine directors and appoint Christos Tsentas and Wayne Walker (together with Mr. Urvan, the "Urvan Group Directors") to the Board to serve as directors with terms expiring at the 2022 annual meeting of stockholders (the "2022 Annual Meeting"). The Company included the Urvan Group Directors in its director candidates slate for the 2022 Annual Meeting and will do so at any subsequent annual meeting of stockholders of the Company occurring prior to the Termination Date (as defined below). The Company has agreed to not increase the size of the Board above nine directors prior to the Termination Date unless the increase is approved by at least seven directors.

Unless otherwise mutually agreed to in writing by each party, the Settlement Agreement will remain in effect until the date that is the earlier of (i) 30 days prior to the earlier of (A) the deadline set forth in the notice requirements of the federal "universal proxy rules" set forth in Rule 14a-19 under the Exchange Act (the "UPR Deadline") relating to the Company's 2023 annual meeting of stockholders (the "2023 Annual Meeting") and (B) any deadline that may be set forth in the Company's Amended and Restated Certificate of Incorporation (as amended from time to time, the "Certificate") or Bylaws (the "Bylaws") following the execution of the Settlement Agreement relating to the nomination of director candidates for election to the Board at the 2023 Annual Meeting, and (ii) 90 days prior to the first anniversary of the 2022 Annual Meeting (such date, the "Termination Date"). However, if the Company notifies Mr. Urvan in writing at least 15 days prior to such Termination Date that the Board irrevocably offers to re-nominate the Urvan Group Directors for election at the 2023 Annual Meeting and Mr. Urvan accepts such offer within 15 days of receipt of such notice, the Termination Date will be automatically extended until the earlier of (i) 30 days prior to the earlier of (A) the UPR Deadline relating to the Company's 2024 annual meeting of stockholders (the "2024 Annual Meeting") and (B) any deadline that may be set forth in the Certificate or the Bylaws following execution of the Settlement Agreement relating to the nomination of director candidates for election to the Board at the 2024 Annual Meeting, and (ii) 90 days prior to the first anniversary of the 2023 Annual Meeting. Notwithstanding the foregoing, the "Termination Date" shall not occur prior to 20 days after Mr. Urvan's departure from the Board.

Pursuant to the Settlement Agreement, the Company suspended the previously announced separation of Company into Action Outdoor Sports, Inc. and Outdoor Online, Inc., pending the further evaluation of strategic options by the Board. The Company paid approximately $500,000 of the Urvan Group's costs, fees and expenses per the terms of the Settlement Agreement. Additionally, the Company issued 125,000 shares of Common Stock for a total value of $437,500 to an employee and issued 110,000 shares of Common Stock for a total value of $385,000 to an independent contractor as a result of termination without cause per the terms of the Settlement Agreement.

The foregoing summary of the Settlement Agreement does not purport to be complete and is subject to, and qualified in its entirety, by reference to the full text of the Settlement Agreement, a copy of which was previously filed as Exhibit 10.1 in the Form 8-K filed with the SEC on November 7, 2022, and incorporated herein by reference.

During the year ended March 31, 2023, we paid $551,916 in service fees to two independent contractors of which $223,333 were created as a result of termination without cause as a result of our Proxy Settlement Agreement. The two independent contractors were issued 141,419 shares of our common stock for a total value of $494,967. We issued 45,000 shares in the aggregate to our advisory committee members for service for a total value of $129,750. Through our acquisition of Gemini, a related party relationship was created with Mr. Urvan by ownership of entities that transacts with Gemini. We recognized $215,300 in Marketplace Revenue for the year ended March 31, 2022 that was attributable to that relationship. There was $182,344 included in our Accounts Receivable at March 31, 2023 as a result of this relationship.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Effective April 8, 2021, the Company engaged Pannell Kerr Forster of Texas, P.C. ("PKF") as the Company's independent registered public accounting firm.

The following table presents the fees billed by PKF for its services during the Company's last two fiscal years.

	2023	2022
Audit Fees	$ 326,006	$ 191,987
Audit Related Fees	112,189	135,637
Tax Fees	-	-
All Other Fees	98,143	-
	$ 536,338	$ 327,624

It is our policy to engage the principal accounting firm to conduct the audit of the Company's financial statements and to confirm, prior to such engagement, that such principal accounting firm is independent of the Company to the extent required by SEC rules and regulations. All services of the principal accounting firm reflected above were approved by the Board.

- "Audit Fees" are fees paid for professional services for the audit of our financial statements and review of our interim consolidated financial statements included in quarterly reports (as well as services that PKF normally provides in connection with statutory and regulatory filings or engagements).

- "Audit-Related fees" are fees paid for 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.

- "All other fees" related to fees unrelated to Audit Fees or Audit-Related Fees.

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 the Original Form 10-K.

(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
2.1#	Agreement and Plan of Merger, dated April 30, 2021, by and among Ammo, Inc., SpeedLight Group I, LLC, Gemini Direct Investments, LLC and Steven F. Urvan (1)	8-K	2.1	5/6/2021	
3.1	Certificate of Incorporation (Amended and Restated) filed with the Delaware Secretary of State on October 24, 2018	8-K	3.1	10/26/2018	
3.2	Bylaws	8-K	3.03	02/09/2017	
3.3	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	8-A	3.1	5/20/2021	
4.1	Compilation of JSC Agreements dated November 4, 2020	10-Q	4.3	11/13/2020	
4.2	Form of Underwriters' Warrant Agreement issued December 3, 2020	8-K	4.1	12/4/2020	
4.3	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.	10-K	4.14	6/14/2023	
4.4	Promissory Note issued by Ammo, Inc., Firelight Group I, LLC in favor of Hiawatha National Bank, dated October 14, 2021.	10-Q	4.1	2/14/2022	
10.1+	2017 Equity Incentive Plan, as amended	S-8	4.1	12/23/2020	
10.2	First Amended and Restated Factoring and Security Agreement, as amended, by and between Ammo, Inc. and Factors Southwest, LLC	8-K	10.1	3/11/2021	
10.3	Revolving Inventory Loan and Security Agreement, as amended, by and between Ammo, Inc. and Factors Southwest, LLC	8-K	10.2	3/11/2021	
10.4	Amended and Restated Exclusive License Agreement between AMMO Technologies Inc. and University of Louisiana at Lafayette, dated as of November 16, 2017	8-K	10.1	3/26/2021	
10.5+	Amended and Restated Employment Agreement, by and between AMMO, Inc. and Jared Smith, dated July 24, 2023	8-K	10.1	7/25/2023	
10.6+	Amended and Restated Employment Agreement, by and between AMMO, Inc. and Fred W. Wagenhals, dated July 24, 2023	8-K	10.2	7/25/2023	
10.7+	Employment Agreement of Robert D. Wiley, as amended	10-K	10.6	6/14/2023	
10.8	Lock-Up Agreement, dated April 30, 2021, by and between Ammo, Inc. and Steven F. Urvan	8-K	10.1	5/6/2021	
10.9	Voting Rights Agreement, dated April 30, 2021, by and between Ammo, Inc. and Steven F. Urvan	8-K	10.2	5/6/2021	
10.10	Standstill Agreement, dated April 30, 2021, by and between Ammo, Inc. and Steven F. Urvan	8-K	10.3	5/6/2021	
10.11	Investor Rights Agreement, dated April 30, 2021, by and between Ammo, Inc. and Steven F. Urvan	8-K	10.4	5/6/2021	
10.12	Construction Loan Agreement by and among Ammo, Inc., Firelight Group I, LLC, and Hiawatha National Bank, dated October 14, 2021.	10-Q	10.1	2/14/2022	
10.13	Settlement Agreement, by and among AMMO, Inc., Steven F. Urvan and Susan T. Lokey, dated November 3, 2022	10-Q	10.1	11/7/2022	

10.14	Amendment to Settlement Agreement, by and among AMMO, Inc., Steven F. Urvan and Susan T. Lokey, dated November 21, 2022	8-K	10.1	11/22/2022	
14.1	Code of Ethics	S-1/A	14.0	10/16/2018	
14.2	Code of Conduct	S-1/A	14.1	10/16/2018	
21.1	Subsidiaries of the Company	10-K	21.1	6/14/2023	
23.1	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, 2022 and 2021	10-K	23.1	6/14/2023	
31.1	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.	10-K	31.1	6/14/2023	
31.2	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.	10-K	31.2	6/14/2023	
31.3	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.				X
31.4	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.				X
32.1	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.	10-K	32.1	6/14/2023	
32.2	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.	10-K	32.2	6/14/2023	
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				X

+ Management compensatory plan or contract.

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.

	By: */s/ Jared R. Smith*
Dated: July 31, 2023	Jared R. Smith, Chief Executive Officer
	By: */s/ Robert D. Wiley*
Dated: July 31, 2023	Robert D. Wiley, Chief Financial Officer