

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

OR

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

For the transition period from January 1, 2018 to March 31, 2018

ammo™
INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State of incorporation)

001-13101
(Commission File No.)

30-0957912
(I.R.S. Identification Number)

6401 East Thomas Road, #106, Scottsdale, AZ 85251
(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:

None
Title of each class

N/A
Name of each exchange on which registered

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

Common Stock, par value \$0.001
(Title of class)

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 checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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" and "smaller reporting 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 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 three month period was \$127,775,264.

As of May 23, 2018, there were 30,362,389 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE : None.

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ADDITIONAL INFORMATION

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act. All statements other than statements of historical facts contained in this Form 10-K, including statements regarding our future operating results, future financial position, business strategy, objectives, goals, plans, prospects, and markets, and plans and objectives for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “targets,” “contemplates,” “projects,” “predicts,” “may,” “might,” “plan,” “will,” “would,” “should,” “could,” “may,” “can,” “potential,” “continue,” “objective,” or the negative of those terms, or similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words.

Specific forward-looking statements in this Form 10-K include the effect of a variety of economic, social, and political factors on our business; legislative and regulatory matters; future products and product developments; the features and performance of our products; the success of particular product or marketing programs; competitive factors; any strategic partnerships or acquisitions we may enter into or make; our manufacturing costs, capabilities, and efficiencies; liquidity and anticipated needs and availability; the effect of interest rates or inflation; and the volatility of our stock price.

All forward-looking statements included herein are based on information available to us as of the date hereof and speak only as of such date. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. The forward-looking statements contained in this Form 10-K reflect our views as of the date of this Form 10-K about future events and are subject to risks, uncertainties, assumptions, and changes in circumstances that may cause our actual results, performance, or achievements to differ significantly from those expressed or implied in any forward-looking statement.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, performance, or achievements. A number of factors could cause actual results to differ materially from those indicated by the forward-looking statements, including risks detailed from time to time in our reports to the SEC, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

PART I

ITEM 1. BUSINESS.

Introduction

We are a leading designer, producer, and marketer of innovative, distinctive, performance-driven, high-quality ammunition products for sale to a variety of consumers, including sport and recreational shooters, hunters, individuals seeking home or personal protection, and law enforcement and military agencies. To enhance the strength of our brands and drive product demand, we emphasize product innovation and technology to improve the performance, quality, and affordability of our products while providing support to our distribution channel and consumers. We sell high-end, custom, hand-loaded ammunition at competitive prices. We emphasize an American heritage by using predominantly American-made components in our products that are produced, inspected, and packaged at our facility in Payson, Arizona.

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

Our Strategy

Our goal is to enhance our position as a leading designer, producer, and marketer of ammunition products. Key elements of our strategy to achieve this goal are as follows:

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

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

Continue to Strengthen Relationships with Channel Partners and Retailers.

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

Emphasis on Customer Satisfaction and Loyalty

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

Continuously Improving Operations

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

Enhance Market Share, Brand Recognition, and Customer Loyalty

We strive to enhance our market share, brand recognition, and customer loyalty. Industry sources estimate that 70 to 80 million people in the United States own more than approximately 300 million firearms, creating a large installed base for our ammunition products. We are focusing on the premium segment of the market through the quality, distinctiveness, and performance of our products; the effectiveness of our marketing and merchandising efforts; and the attractiveness of our competitive pricing strategies.

Pursue Synergetic Strategic Acquisitions and Relationships

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

Products

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

Streak Visual Ammunition

Streak Visual ammunition enables shooters to see the path of the bullets fired by them. Streak rounds utilize non-flammable phosphor material that produces a glow by the utilization of the light emitted during the round discharge to make streak glow. The luminescent material is applied only to the aft end of the projectile, making it visible only to the shooter and those within a 30-degree viewing window. As a result, the glow of streak ammunition is not visible to the target unlike conventional tracers, which we believe is important to the military and law enforcement. Unlike conventional tracer ammunition, streak 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 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 technology used by our Streak visual ammunition and pay a royalty based on our product sales incorporating this technology.

OPS – One Precise Shot

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

Stealth Subsonic Ammunition

Stealth Subsonic ammunition is designed specifically for superior performance in suppressed firearms. Stealth ammunition finds applications in which silence is paramount, such as in tactical training, predator night hunts, and clandestine operations. The stealth 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. Stealth pistol ammunition comes in 9mm, 40 S&W, and 45 AC3. It is also available in a 223 rifle round.

Jesse James Ammunition

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

Jeff Rann's American Hunter and Safari Services

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

Marketing

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

Manufacturing

We conduct our research and development, manufacturing, assembly, inspection, and packaging operations in a 20,000 square foot facility located in Payson, Arizona. The facility currently can produce 36 million rounds of ammunition annually with the capacity to scale to 200 million rounds. Our in-house testing operation at the facility is intended to enhance the performance and reliability of our products.

Research and Development

We conduct research and development activities to enhance existing products and develop new products at our facility in Payson, Arizona, utilizing our personnel and strategic relationships. We plan to expand our research and development activities in the future. We expense all costs associated with our research and development efforts through our cost of goods sold as they are performed by the same employees who produce our finished product.

Suppliers

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

Customers

We sell our products to a wide variety of customers, including sport and recreational shooters, hunters, competitive shooters, individuals desiring home and personal protection, and law enforcement and military agencies, and selected international markets. We sell our products under the names of our four principle ammunition products. Three customers each accounted for more than 10% individually of our net sales for the three-month period ended March 31, 2018 and only one customer for the year ended December 31, 2017.

Competition

The ammunition 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, and PMC.

Employees

As of May 24, 2018, we had a total of 48 employees, including 10 part-time employees. Of these employees, 35 were engaged in manufacturing, four in sales and marketing, four in finance and accounting, and five in various executive and administrative functions. None of our employees are represented by a union in collective bargaining with us. We believe that our employee relations are good.

Seasonality

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

Intellectual Property

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

Included in an acquisition for 600,000 shares of our Common Stock and \$200,000 paid in cash to the former license holder, we acquired the exclusive license to produce ammunition using the patented "hybrid luminescence technology" owned by the University of Louisiana at Lafayette. We use that technology in connection with our Streak Visual ammunition.

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

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

Backlog

We did not have a material amount of backlog of orders as of March 31, 2018 or December 31, 2017. Backlog consists of orders for which purchase orders have been received and which are generally scheduled for shipment within three months. We generally allow orders that have not yet been shipped to be cancelled. Our backlog may not be indicative of future sale.

Environmental Matters

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

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

Regulatory Matters

The manufacture, sale, and purchase of ammunition are subject to extensive federal, state, local, and foreign governmental laws. We are also subject to the rules and regulations of the 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 ITAR.

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.

Our History

We were formed under the name Retrospettiva, Inc. in November 1990 to manufacture and import textile products, including both finished garments and fabrics, but ceased operations in 2001. We were inactive from 2001 until following a series of events in December 2016 and March 2017. On December 15, 2016, our then principal stockholders sold their outstanding common stock to Fred W. Wagenhals, who is our Chairman of the Board, President, Chief Executive Officer (CEO), and largest stockholder. On the same date, Mr. Wagenhals became the sole officer and director of our company; we changed our name to AMMO, Inc.; we changed our trading symbol to POWW; we changed our state of incorporation from California to Delaware; we engaged in a 1-for-25 reverse stock split; and we increased our authorized capital to 100,000,000 shares of Common Stock.

Our principal stockholder, Fred Wagenhals, organized another company, or AIP, on October 13, 2016, which immediately began to take steps to commence its ammunition business. On March 17, 2017, we entered into a Share Exchange Agreement with the stockholders of AIP that resulted in our acquisition of all the shares of common stock of AIP for 604,371 shares of our common stock and our succession to the business of AIP.

AIP entered into license and endorsement agreement with Jesse James, a well-known motorcycle and gun designer, in October 2016, and a license and endorsement agreement with Jeff Rann, a well-known wild game hunter, guide, and spokesman for the firearm and ammunition industry, in February 2017; received a federal firearms license from the Bureau of Alcohol, Tobacco, and Explosives in February 2017; began producing ammunition at a manufacturing facility in Payson, Arizona in March 2017; and built a management team and otherwise prepared itself to participate in the ammunition industry until its stock was acquired by us on March 17, 2017 and it became a wholly owned subsidiary.

ITEM 1A. RISK FACTORS

Purchasing our Common 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. 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 could decline, and you may lose all or part of your investment.

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

We have a limited operating history on which you can evaluate our company. Although the corporate entity has existed since 1990, we have only operated as an ammunition manufacturer since March 2017. As a result, our business will be subject to many of the problems, expenses, delays, and risks inherent in the establishment of a new business enterprise.

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

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

Political and other factors also can affect our performance. Concerns about presidential, congressional, and state elections and legislature and policy shifts resulting from those elections can affect the demand for our products. In addition, speculation surrounding control of firearms, firearm products, and ammunition at the federal, state, and local level and heightened fears of terrorism and crime can affect consumer demand for our products. Often, such concerns result in an increase in near-term consumer demand and subsequent softening of demand when such concerns subside. Inventory levels in excess of customer demand may negatively impact operating results and cash flow.

Federal and state legislatures frequently consider legislation relating to the regulation of firearms, including amendment or repeal of existing legislation. Existing laws may also be affected by future judicial rulings and interpretations firearm products, and ammunition. If such 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.

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 the development of 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.

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.

Our efforts to avoid the patent, trademark, and copyright rights of others may not provide notice to us of potential infringements in time to avoid investing in product development and promotion that must later be abandoned if suitable license terms cannot be reached.

There is no guarantee that our use of conventional technology searching and brand clearance searching will identify all potential rights holders. Rights holders may demand payment for past infringements and/or force us to accept costly license terms or discontinue use of protected technology and/or works of authorship that may include for example photos, videos, and software.

We depend on the sale of our ammunition products.

We manufacture ammunition for sale to a wide variety of consumers, including gun enthusiasts, collectors, hunters, sportsmen, competitive shooters, individuals desiring home and personal protection, law enforcement and security agencies and officers, and military agencies in the United States and throughout the world. The sale of ammunition is influenced by the sale and usage of firearms. As noted above, sales of firearms are influenced by a variety of economic, social, and political factors, which may result in volatile sales. Ammunition sales represented substantially all of our net sales for the three-month period ended March 31, 2018 and year ended December 31, 2017.

Our manufacturing facility is critical to our success.

Our Arizona manufacturing facility is critical to our success, as we currently produce all of our products at this facility. The facility also houses our principal research, development, engineering, and design functions.

Any event that causes a disruption of the operation of this facility 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 facility and associated equipment and systems and to introduce certain efficiencies in manufacturing and other processes to produce our products in a more efficient and cost-effective manner. We anticipate that we will continue to incur significant capital and other expenditures with respect to this facility, but we may not be successful in continuing to improve efficiencies.

To the extent demand for our products increase, our future success will depend upon our ability to enhance manufacturing production capacity.

We intend to continue marketing our ammunition products. To the extent demand for our products increase significantly in future periods, one of our key challenges will be to enhance production capacity to meet sales demand, while maintaining product quality. Our inability to meet any future increase in sales demand or access capital for inventory may hinder growth or increase dilution.

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, and projectiles, 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 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.

We do not have long-term purchase commitments from our customers, and their ability to cancel, reduce, or delay orders could reduce our revenue and increase our costs.

Our customers do not provide us with firm, long-term volume purchase commitments, but issue purchase orders for our products. As a result, customers can cancel purchase orders or reduce or delay orders at any time. The cancellation, delay, or reduction of customer purchase orders could result in reduced sales, excess inventory, unabsorbed overhead, and reduced income from operations.

We often schedule internal production levels and place orders for raw materials and components with third party suppliers before receiving firm orders from our customers. Therefore, if we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products to deliver to our customers. Factors that could affect our ability to accurately forecast demand for our products include the following:

an increase or decrease in consumer demand for our products or for the products of our competitors;

our failure to accurately forecast consumer acceptance of new products;

new product introductions by us or our competitors;

changes in our relationships within our distribution channels;

changes in general market conditions or other factors, which may result in cancellations of orders or a reduction or increase in the rate of reorders placed by retailers;

changes in laws and regulations governing the activities for which we sell products, such as hunting and shooting sports;

weak economic conditions or consumer confidence, which could reduce demand for discretionary items, such as our products; and

the domestic political environment, including debate over the regulation of firearms, ammunition, and related products.

Inventory levels in excess of consumer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have an adverse effect on our business, operating results, and financial condition. If we underestimate demand for our products, our manufacturing facility or third-party suppliers may not be able to react quickly enough to meet consumer demand, resulting in delays in the shipment of products and lost revenue, and damage to our reputation and customer and consumer relationships. We may not be able to manage inventory levels successfully to meet future order and reorder requirements.

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

Our 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 retail customers or significant or numerous cancellations, reductions, delays in purchases or changes in business practices by our 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; and
- our retailers and distributors market and distribute competing products.

We have three customers that accounted for more than 59% of our net sales for the three-month period ended March 31, 2018. At December 31, 2017, 58% of our net sales resulted from one customer. Although we intend to expand our customer base, our revenue would likely decline if we lost any major customers or if one of these sizable customers were to significantly reduce its orders for any reason. Because our sales are made by means of standard purchase orders rather than long-term contracts, we cannot assure you that our customers will continue to purchase our products at current levels, or at all.

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

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

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

Consumers are increasingly purchasing online. We operate direct-to-consumer e-commerce stores to maintain an on-line 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.

Our gross margins depend upon our sales mix.

We have targeted a range for gross margin of between 25% to 35% of sales based upon a projected mix of proportionately larger sales for our higher-margin proprietary product lines versus a lower contribution from mid-market ammunition we also currently manufacture. If our actual sales mix results in a lower overall percentage from our proprietary lines, our gross margins will be significantly reduced, affecting our results of operations.

We may have difficulty collecting amounts owed to us.

Certain of our customers may experience business challenges and credit-related issues. We perform ongoing credit evaluations of customers, but these evaluations may not be completely effective. We grant payment terms to most customers ranging from 30 to 120 days and do not generally require collateral. However, in some instances we provide longer payment terms. Should more customers than we anticipate experience liquidity issues, or if payments are not received on a timely basis, we may have difficulty collecting amounts owed to us by such customers and our business, operating results, and financial condition could be adversely impacted. Retail consolidation could result in more concentrated credit-related risks.

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. In addition, our reputation may be adversely affected by such claims, whether or not successful, including potential negative publicity about our products.

The failure to manage our growth could adversely affect our operations.

The failure to manage our growth could adversely affect our operations. To continue to expand our business and enhance our competitive position, we must make significant investments in equipment, facilities, systems, and personnel. In addition, we must commit significant funds to enhance our sales, marketing, information technology, and research and development efforts. As a result of the increase in fixed costs and operating expenses, our failure to increase our sales sufficiently to offset these increased costs could adversely affect our business, operating results, and financial condition.

Managing our planned growth effectively will require us to take a number of steps, including the following:

enhance our operational, financial, and management systems;

enhance our facilities and purchase additional equipment; and

successfully hire, train, and retain additional employees, including additional personnel for our technological, sales, and marketing efforts.

The expansion of our products and customer base may result in increases in our overhead and selling expenses. We may be required to increase staffing and other expenses and our expenditures on capital equipment and leasehold improvements to meet the demand for our products. Any increase in expenditures in anticipation of future sales that do not materialize would adversely affect our profitability.

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.

Our operating results may experience significant fluctuations.

Many factors contribute to significant periodic and seasonal quarterly fluctuations in our results of operations. These factors include the following:

- the cyclical nature of the markets we serve;

- the timing and size of new orders;

- the cancellation of existing orders;

- the volume of orders relative to our capacity;

- product introductions and market acceptance of new products or new generations of products;

- timing of expenses in anticipation of future orders;

- changes in product mix;

- availability of production capacity;

- changes in cost and availability of labor and raw materials;

- timely delivery of products to customers;

- pricing and availability of competitive products;

- new product introduction costs;

changes in the amount or timing of operating expenses;

introduction of new technologies into the markets we serve;

pressures on reducing selling prices;

our success in serving new markets;

adverse publicity regarding the safety, performance, and use of our products;

the institution and outcome of any litigation;

political, economic, or regulatory developments; and

changes in economic conditions.

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.

The failure to attract and retain key personnel could have an adverse effect on our operating results.

Our success depends substantially on the efforts and abilities of our senior management and key personnel. The competition for qualified management and key personnel is intense. Although we maintain noncompetition and nondisclosure covenants with many of our key personnel, we do not have employment agreements with most of them. The loss of services of one or more of our key employees or the inability to hire, train, and retain additional key personnel could delay the development and sale of our products, disrupt our business, and interfere with our ability to execute our business plan.

In addition, our ability to maintain our competitive position is dependent to a large degree on the efforts and skills of our senior management team, including Fred Wagenhals, our President and Chief Executive Officer. The loss of the services of one or more of our key personnel could materially and adversely affect our operations.

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 in a timely basis or on favorable terms, or at all. Such financing could result in substantial dilution of the equity interests of existing stockholders. We have no commitments for any additional financing should the need arise. 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.

Potential strategic alliances may not achieve their objectives, which could impede our growth.

We anticipate that we will enter into strategic alliances in the future. We continue to explore strategic alliances designed to expand our product offerings, enter new markets, and improve our distribution channels. Strategic alliances may not achieve their intended objectives, and parties to our strategic alliances may not perform as contemplated. The failure of these alliances may impede our ability to introduce new products and enter new markets.

Any acquisitions that we undertake will involve significant risks, and any acquisitions that we undertake in the future could disrupt our business, dilute stockholder value, and harm our operating results.

We have a strategy to expand our operations through strategic acquisitions to enhance existing products and offer new products, enter new markets and businesses, strengthen and avoid interruption from our supply chain, and enhance our position in current markets and businesses. Acquisitions involve significant risks and uncertainties. We cannot accurately predict the timing, size, and success of any future acquisitions. We may be unable to identify suitable acquisition candidates or to complete the acquisitions of candidates that we identify. Increased competition for acquisition candidates or increased asking prices by acquisition candidates may increase purchase prices for acquisitions to levels beyond our financial capability or to levels that would not result in the returns required by our acquisition criteria. Unforeseen expenses, difficulties, and delays frequently encountered in connection with expansion through acquisitions could inhibit our growth and negatively impact our operating results.

Our ability to complete acquisitions that we desire to make will depend upon various factors, including the following:

- the availability of suitable acquisition candidates at attractive purchase prices;
- the ability to compete effectively for available acquisition opportunities;
- the availability of cash resources, borrowing capacity, or stock at favorable price levels to provide required purchase prices in acquisitions;
- the ability of management to devote sufficient attention to acquisition efforts; and
- the ability to obtain any requisite governmental or other approvals.

We may have little or no experience with certain acquired businesses, which could involve significantly different supply chains, production techniques, customers, and competitive factors than our current business. This lack of experience would require us to rely to a great extent on the management teams of these acquired businesses. These acquisitions also could require us to make significant investments in systems, equipment, facilities, and personnel in anticipation of growth. These costs could be essential to implement our growth strategy in supporting our expanded activities and resulting corporate structure changes. We may be unable to achieve some or all of the benefits that we expect to achieve as we expand into these new markets within the time frames we expect, if at all. If we fail to achieve some or all of the benefits that we expect to achieve as we expand into these new markets, or do not achieve them within the time frames we expect, our business, financial condition, and results of operations could be adversely affected.

As a part of any potential acquisition, we may engage in discussions with various acquisition candidates. In connection with these discussions, we and each potential acquisition candidate may exchange confidential operational and financial information, conduct due diligence inquiries, and consider the structure, terms, and conditions of the potential acquisition. In certain cases, the prospective acquisition candidate agrees not to discuss a potential acquisition with any other party for a specific period of time and agrees to take other actions designed to enhance the possibility of the acquisition, such as preparing audited financial information. Potential acquisition discussions frequently take place over a long period of time and involve difficult business integration and other issues. As a result of these and other factors, a number of potential acquisitions that from time-to-time appear likely to occur do not result in binding legal agreements and are not consummated, but may result in increased legal, consulting, and other costs.

Unforeseen expenses, difficulties, and delays frequently encountered in connection with future acquisitions could inhibit our growth and negatively impact our profitability. Any future acquisitions may not meet our strategic objectives or perform as anticipated. In addition, the size, timing, and success of any future acquisitions may cause substantial fluctuations in our operating results from quarter to quarter. These interim fluctuations could adversely affect the market price of our common stock.

If we finance any future acquisitions in whole or in part through the issuance of common stock or securities convertible into or exercisable for common stock, existing stockholders will experience dilution in the voting power of their common stock and earnings per share could be negatively impacted. The extent to which we will be able or willing to use our common stock for acquisitions will depend on the market price of our common stock from time-to-time and the willingness of potential acquisition candidates to accept our common stock as full or partial consideration for the sale of their businesses. Our inability to use our common stock as consideration, to generate cash from operations, or to obtain additional funding through debt or equity financings to pursue an acquisition could limit our growth.

Any acquisitions that we undertake could be difficult to integrate, disrupt our business, and harm our operations.

We may be unable to effectively complete an integration of the management, operations, facilities, and accounting and information systems of acquired businesses with our own; to implement effective controls to mitigate legal and business risks with which we have no prior experience; to manage efficiently the combined operations of the acquired businesses with our operations; to achieve our operating, growth, and performance goals for acquired businesses; to achieve additional sales as a result of our expanded operations; or to achieve operating efficiencies or otherwise realize cost savings as a result of anticipated acquisition synergies. The integration of acquired businesses involves numerous risks and uncertainties, including the following:

- the potential disruption of our core businesses;
- risks associated with entering markets and businesses in which we have little or no prior experience;
- diversion of management's attention from our core businesses;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with increased regulatory or compliance matters;
- failure to retain key customers, suppliers, or personnel of acquired businesses;
- the potential strain on our financial and managerial controls and reporting systems and procedures;
- greater than anticipated costs and expenses related to the integration of the acquired business with our business;
- potential unknown liabilities associated with the acquired company;
- risks associated with weak internal controls over information technology systems and associated cyber security risks;
- meeting the challenges inherent in effectively managing an increased number of employees in diverse locations;
- failure of acquired businesses to achieve expected results;
- the risk of impairment charges related to potential write-downs of acquired assets in future acquisitions; and
- the challenge of creating uniform standards, controls, procedures, policies, and information systems.

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.

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 the interstate sale of certain firearms;
- prohibit the interstate mail-order sale of firearms;
- 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. Inadvertent violation of any of these regulations could cause us to incur fines and penalties and 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.

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 change to the Second Amendment would dramatically impact our ability to conduct business.

Failure to comply with the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation, and export controls and trade sanctions, could result in fines or criminal penalties if we expand our business abroad

The expansion of our business internationally would expose us to trade sanctions and other restrictions imposed by the United States and other governments. The U.S. Departments of Justice, Commerce, Treasury and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of export controls, the Foreign Corrupt Practices Act, anti-boycott provisions and other federal statutes, sanctions and regulations and, increasingly, similar or more restrictive foreign laws, rules and regulations, which may also apply to us. By virtue of these laws and regulations, and under laws and regulations in other jurisdictions, we may be obliged to limit our business activities, we may incur costs for compliance programs and we may be subject to enforcement actions or penalties for noncompliance. In recent years, U.S. and foreign governments have increased their oversight and enforcement activities with respect to these laws and we expect the relevant agencies to continue to increase these activities. A violation of these laws, sanctions or regulations could result in restrictions on our exports, civil and criminal fines or penalties and could adversely impact our business, operating results, and financial condition.

Our directors and officers will have the ability to control our company

Our current directors and officers and people affiliated with them own a majority of the issued and outstanding shares of our Common Stock (assuming no exercise of any outstanding options or warrants). Accordingly, the current directors and officers will be able to exert substantial influence over our company and control matters requiring approval by our stockholders, including electing all our directors, approving any amendments to our certificate of incorporation, increasing our authorized capital stock, effecting a merger or sale of our assets, and determining the number of shares available for issuance under our equity-based plans. As a result, no change of control of our company can occur without their consent.

This voting control may discourage transactions involving a change of control of our company, including transactions in which stockholders might otherwise receive a premium for their shares over the then current market price. The directors and officers are not prohibited from selling a controlling interest in our company to a third party and may do so without stockholder approval and without providing for a purchase of the shares of Common Stock held by others. Accordingly, shares of Common Stock may be worth less than they would be absent such concentrated voting power.

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 results of operations could be impacted by unanticipated changes in tax provisions or exposure to additional income tax liabilities

Our business operates in many locations under government jurisdictions that impose income taxes. Changes in domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain revenues or the deductibility of certain expenses, and higher excise taxes thereby affecting our income tax expense and profitability. In addition, audits by income tax authorities could result in unanticipated increases in our income tax expense.

Limited or No Public Market for our securities

There has been a limited public market for our Common Stock and no public market for our outstanding stock options and warrants. Our Common Stock is currently quoted on the OTC Pink Open Market. The daily trading volume of our Common Stock has been limited.

We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market or how liquid that market might become. The lack of an active market may reduce the value of shares of our Common Stock and impair the ability of our stockholders to sell their shares at the time or price at which they wish to sell them. An inactive market may also impair our ability to raise capital by selling our Common Stock and may impair our ability to acquire or invest in other companies, products, or technologies by using our Common Stock as consideration.

We may be unable to list our stock on a national exchange, such as NASDAQ

There has been a limited public market for our Common Stock. Although it is our intention to qualify for the trading of our Common Stock on a national exchange, we may not meet or maintain certain qualifying requirements. If we are unable to meet these requirements, we may be limited to trading conducted on the OTC Pink Open Market.

The market price of our Common Stock may be volatile and could decline

The market price of our Common Stock has fluctuated substantially in the past and is likely to continue to be highly volatile and subject to wide fluctuations in the future. A number of factors could cause the market price of our Common Stock to decline, many of which we cannot control, including the following:

our ability to execute our business plan;

actual or anticipated changes in our operating results;

variations in our quarterly results;

changes in expectations relating to our products, plans, and strategic position or those of our competitors or customers;

announcements or introduction of technological innovations or new products by us or our competitors;

market conditions within our market;

the sale of even small blocks of Common Stock by stockholders;

price and volume fluctuations in the overall stock market from time to time;

significant volatility in the market price and trading volume of public companies in general and small emerging companies in particular;

changes in investor perceptions;

the level and quality of any research analyst coverage of our Common Stock, changes in earnings estimates or investment recommendations by securities analysts, or our failure to meet such estimates;

any financial guidance we may provide to the public, any changes in such guidance, or our failure to meet such guidance;

various market factors or perceived market factors, including rumors, whether or not correct, involving us, our customers, or our competitors;

future sales of our Common Stock;

Introductions of new products or new pricing policies by us or by our competitors;

regulatory or environmental laws that restrict the sale of ammunition containing lead

acquisitions or strategic alliances by us or by our competitors;

litigation involving us, our competitors, or our industry;

regulatory, legislative, political, and other developments that may affect us, our customers, and the purchasers of our products;

the gain or loss of significant customers;

the volume and timing of customers' orders;

recruitment or departure of key personnel;

developments with respect to intellectual property rights;

our international acceptance;

market conditions in our industry, the business success of our customers, and economy as a whole; and

general global economic and political instability.

In addition, the market prices of small emerging companies have experienced significant price and volume fluctuations that often have been unrelated or disproportionate to their operating performance. In the past, companies that have experienced volatility in the market price of their securities have been the subject of securities class action litigation. If we were the object of a securities class action litigation, it could result in substantial losses and divert management's attention and resources from other matters.

Sales of large numbers of shares could adversely affect the price of our Common Stock

Most of our Common Stock currently outstanding are restricted securities as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. All outstanding shares of Common Stock are or will be eligible for resale in the public markets at various times within the next six months with respect to affiliates, subject to compliance with the volume and manner of sale requirements of Rule 144 under the Securities Act of 1933, as amended, and with respect to all restricted securities, subject to compliance with the provisions of Rule 144(i)(2) pertaining to the availability of Rule 144 by former shell companies.

In general, under Rule 144 as currently in effect, any person (or persons whose shares are aggregated for purposes of Rule 144) who beneficially owns restricted securities with respect to which at least six months has elapsed since the later of the date the shares were acquired from us, or from an affiliate of ours, is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of our Common Stock or the average weekly trading volume in our Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 also are subject to certain manner-of-sale provisions and notice requirements and to the availability of current public information about us. A person who is not an affiliate, who has not been an affiliate within three months prior to sale, and who beneficially owns restricted securities with respect to which at least six months has elapsed since the later of the date the shares were acquired from us, or from an affiliate of ours, is entitled to sell such shares under Rule 144 without regard to any of the volume limitations or other requirements described above. Sales of substantial amounts of Common Stock in the public market could adversely affect prevailing market prices.

In accordance with our recent offering of Units, consisting of Common Stock and warrants to purchase Common Stock, we are required to file a registration statement with the SEC registering 6,060,606 shares of Common Stock, including the shares that may be issued upon the exercise of the warrants contained in Units. Once the registration is effective, the holders of such Common Stock, including the Common Stock issuable upon the exercise of the warrants will be able to freely sell their shares, which could have a negative effect on the prevailing market prices.

Conversion 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 March 31, 2018 we had 8,872,160 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 an aggregate of 4,915,120 shares of Common Stock at an average price of \$2.50 per share over the next three years; (2) warrants to purchase 745,058 shares of Common Stock at an exercise price of \$1.65 per share until March 2025; (3) warrants to purchase 3,104,482 shares of our Common Stock of an exercise price of \$2.00 per share until March 2023, (4) warrants to purchase 67,500 shares of Common Stock at an exercise price of \$1.25 until November 2019; and (5) 40,000 warrants to purchase shares of Common Stock at an exercise price of \$0.40 until October 2019.

In November of 2017, the Board of Directors approved the 2017 Equity Incentive Plan (“the Plan”). Under the Plan, 485,000 shares of the common stock were reserved and authorized to be issued. As of December 31, 2017, 200,000 shares of common stock were approved and issued under the Plan, and we recognized approximately \$250,000 of related consulting expense. On January 10, 2018, 200,000 shares were awarded, and we recognized \$330,000 of compensation expense. There are 85,000 shares remaining to be issued under the Plan.

We may adopt an additional 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 options described above 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 and the terms on which we can obtain additional financing, and the holders of such warrants and options can be expected to exercise them at a time when we would, in all likelihood, be able to obtain additional capital by an offering of our unissued capital stock on terms more favorable to us than those provided by such warrants and options.

Effect of Issuance of Preferred Stock

We plan to adopt provisions of our Certificate of Incorporation to allow us to issue Preferred Stock with voting, liquidation, and dividend rights senior to those of the Common Stock without the approval of our stockholders. The issuance of Preferred Stock could have the effect of making it more difficult for a third party to acquire a majority of the outstanding stock of our company and result in the dilution of the value of the then current stockholders' Common Stock. We have no current plans to issue shares of Preferred Stock.

Resale of Common Stock

All of our outstanding shares of Common Stock and shares of our Common Stock that may be issued upon the exercise of our outstanding options and warrants may only be resold if they are registered pursuant to an effective registration statement under the Securities Act of 1933 or are resold pursuant to an applicable exemption and are qualified or exempt under the securities laws of the applicable states. We have agreed to use our best efforts to file by July 1, 2018 a registration statement under the Securities Act covering the resale of shares of Common Stock issued or underlying warrants sold by a private placement that closed in April 2018. In the absence of this registration statement, such sale of such shares of our Common Stock could only be made under Rule 144. As a former shell company, Rule 144 will be available for resales of our Common Stock only if we meet certain conditions, including the filings of applicable reports with the SEC and having been current in our filings of our SEC reports for the 12-months before the proposed resale under Rule 144. There is no assurance that investors will be able to resale their securities at such time as they may want or need to do so.

We do not expect to pay any dividends for the foreseeable future

We do not anticipate paying any dividends to our stockholders for the foreseeable future. Accordingly, stockholders may have to sell some or all of their Common Stock to generate cash flow from their investment. Stockholders may not receive a gain on their investment when they sell our Common Stock and may lose some or all of the amount of their investment. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial conditions, contractual restrictions, restrictions imposed by applicable law, and other factors our board of directors deems relevant.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our ability to produce accurate financial statements and on our stock price

Under SEC regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, in the future, we will be required to furnish a report by our management on our internal control over financial reporting with our Form 10-K. We have not been subject to these requirements in the past. The internal control report must contain (1) a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting, (2) a statement identifying the framework used by management to conduct the required evaluation of the effectiveness of our internal control over financial reporting, (3) management's assessment of the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year, including a statement as to whether or not internal control over financial reporting is effective, and (4) a statement that our independent auditors have issued an attestation report on management's assessment of internal control over financial reporting.

To achieve compliance with the applicable SEC regulations within the prescribed future period, we would be required to engage in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. Despite our efforts, we can provide no assurance as to our or our independent auditors' conclusions with respect to the effectiveness of our internal control over financial reporting. There is a risk that neither we nor our independent auditors will be able to conclude that our internal controls over financial reporting are effective, as has been the case with a significant number of companies attempting to comply with these regulations for the first time. This could result in an adverse reaction in the financial markets resulting from a loss of confidence in the reliability of our financial statements.

If we fail to comply in a timely manner with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 regarding internal control over financial reporting or to remedy any material weaknesses in our internal controls that we may identify, such failure could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information, limit our ability to raise needed capital, and have a negative effect on the trading price of our Common Stock.

Penny stock regulations are applicable to investments in share of our Common Stock, and they can reduce the level of trading activity in our Common Stock

Our Common Stock may be deemed to be a "penny stock" under the Securities Exchange Act of 1934. The Financial Industry Regulatory Authority, or FINRA has adopted rules that relate to the application of the SEC's penny stock rules. Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges, provided that current prices and volume information with respect to transactions in such securities are provided by the exchange or system) or that have tangible net worth of less than \$5.0 million (\$2.0 million if the company has been operating for three or more years). Penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction.

Under interpretations of these rules, FINRA believes that there is a high probability that speculative, low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker/dealers to recommend that their customers buy our common stock, which may have the effect of reducing the level of trading activity and liquidity of our common stock. Further, many brokers charge higher transactional fees for penny stock transactions. As a result, fewer broker/dealers may be willing to make a market in our common stock, reducing a stockholder's ability to resell shares of our Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located in Scottsdale, Arizona where we lease approximately 5,000 square feet under a month-to-month triple net lease for \$3,800 per month. This space houses our principal executive, administration, and marketing functions. We may require additional space in the near future but believe that suitable additional or alternative space will be available on commercially reasonable terms to accommodate our needs. Our Chief Executive Officer, Fred Wagenhals, owns the building in which our executive offices are leased.

We lease a 20,000 square foot facility located in Payson, Arizona for approximately \$10,000 per month under a lease expiring in November 2021. We utilize the facility for our principal manufacturing, testing, research and development, packaging, and shipping activities. We believe that this facility will be adequate to meet our needs in the near future.

ITEM 3. LEGAL PROCEEDINGS

We are not currently subject to any legal proceedings, and to the best of our knowledge, no such proceeding is threatened, the results of which would have a material impact on our results of operation or financial condition. Nor, to the best of our knowledge, are any of our officers or directors involved in any legal proceedings in which we are an adverse party.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

Market Information

Information about our Common Stock is reported by OTC Markets Group, Inc. at www.otcm Markets.com. OTC Markets Group, Inc. is a provider of trading systems, pricing, and financial information for over the counter, or OTC, markets. OTC Markets Group, Inc. provides broker-dealers, market data providers, issuers and investors with software and information services that improve the transparency and efficiency of the OTC markets. Currently, our Common Stock trades under the symbol POWW. The table below sets forth the high and low prices of our Common Stock as reflected by OTC Markets Group, Inc. for the period from January 1, 2016 to March 31, 2018. Quotations represent prices between dealers, do not include retail markups, markdowns or commissions, and do not necessarily represent prices at which actual transactions were affected.

Fiscal Year Ended	High	Low
<u>December 31, 2016</u>		
First Quarter	\$ 1.25	\$ 1.25
Second Quarter	\$ 1.28	\$ 1.28
Third Quarter	\$ 1.28	\$ 1.28
Fourth Quarter	\$ 1.25	\$ 1.25
<u>December 31, 2017</u>		
First Quarter	\$ 3.60	\$ 3.60
Second Quarter	\$ 3.00	\$ 3.00
Third Quarter	\$ 2.30	\$ 2.30
Fourth Quarter	\$ 3.20	\$ 3.08
<u>Transition Period</u>		
January 1, 2018 – March 31, 2018	\$ 4.75	\$ 4.50

On May 23, 2018, the "best bid" and "best ask" quotations by OTC Markets Group, Inc. were \$6.45 and \$6.47, respectively, and an average daily volume of 14,617 shares of Common Stock was reported for the past 30 days.

Holders

As of May 24, 2018, a total of 30,362,389 shares of our Common Stock were outstanding and there were approximately 417 holders of record.

Penny Stock Rules

Due to the price of our common stock, and the fact that we are not listed on Nasdaq or a national securities exchange, our stock is characterized as a "penny stock" under applicable securities regulations. Our stock will therefore be subject to rules adopted by the Securities and Exchange Commission, or SEC, regulating broker-dealer practices in connection with transactions in penny stocks. The broker or dealer proposing to effect a transaction in a penny stock must furnish his customer a document containing information prescribed by the SEC and obtain from the customer an executed acknowledgment of receipt of that document. The broker or dealer must also provide the customer with pricing information regarding the security prior to the transaction and with the written confirmation of the transaction. The broker or dealer must also disclose the aggregate amount of any compensation received or receivable by him in connection with such transaction prior to consummating the transaction and with the written confirmation of the trade. The broker or dealer must also send an account statement to each customer for which he has executed a transaction in a penny stock each month in which such security is held for the customer's account. The existence of these rules may have an effect on the price of our stock, and the willingness of certain brokers to effect transactions in our stock.

Transfer Agent

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

Dividend Policy

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.

Recent Sales of Unregistered Securities; Use of Proceeds from Unregistered Securities

During the three months ended March 31, 2018, we sold 5,614,210 shares of Common Stock for \$1.65 per share and collected proceeds of \$9,263,424.

ITEM 6. SELECTED FINANCIAL DATA

Not required.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and accompanying notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements, based upon our current expectations and related to future events and our future financial performance, that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements," and elsewhere in this Annual Report on Form 10-K.

Overview

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

When we began our operations in early 2017, our focus was to sell the inventory of ammunition we acquired through an asset purchase of a private company located in northern Arizona. The inventory consisted primarily of standard pistol and rifle rounds and two proprietary lines that had not received much traction in the market. We sold the remaining inventory at a discount during 2017 to help fund the development of our manufacturing operations. This accounted for the majority of our sales through the end of the third quarter of the calendar year of 2017.

With the prior inventory successfully sold and new products being produced, our next objective in the calendar year of 2017 was to identify ammunition technologies unique to the industry that could be quickly implemented by our manufacturing team. We met with several organizations and projectile manufacturers looking for innovative products that could be used to establish us as a niche or high-end manufacturer for the recreational shooter, the American hunter, law enforcement, and military forces. Among the first of these technologies to meet our requirements was Streak, a one-way luminescent or OWL application, which we believe is the only non-incendiary tracer round in the ammunition market today. We secured the exclusive license to manufacture and sell the Streak line of ammunition in 2017. Upon completion of the transaction, we began implementing manufacturing processes to deliver the product to market.

We formally introduced the Streak portfolio of calibers, along with our rebranded One Precise Shot (OPS) and Stelth subsonic line of suppression ammunition, to the general public at the SHOT Show in Las Vegas held in January 2018. This product introduction resulted in the opening of major retail outlets across the United States and attracted the attention of distributors in the international community. We believe this was a critical milestone in establishing us as a significant player in technology-based ammunition.

To help promote our new products, we hired new sales and marketing personnel in late 2017, and early 2018. We also augmented our Board of Directors to include professionals who could provide guidance for our teams through their prior experience in the industries we have targeted: commercial retail – focused on the gun or hunting enthusiast; US Law Enforcement; the US Military; and international markets for both military and law enforcement. Together this team has worked to open sales channels and distribution networks and capitalize on industry relationships to introduce our products to the influencers required to grow our sales.

Our financial results for the last three months of 2017 and the first three months of 2018 more accurately reflect our newly positioned organization. We believe that we have hired a strong team of professionals, developed innovative products, and raised capital sufficient to establish our presence as a high-quality ammunition provider. This effort did not come without cost to our operations. Our gross margins and income from operations both declined during this six-month period as we hired staff ahead of recording product revenue, recognized the costs associated with the licensing of Streak, and expensed the costs of starting up our new equipment and product lines. We also incurred increased expenses as we transitioned to new brands and packaging to support our image in the market place. We believe these costs to be investments in our future and that a growth of our sales through our target markets would result in our gross margins improving to our target range of between 25% and 35% of sales dependent upon the sales mix for the period.

As we enter into 2018, we are focused on expanding our brand presence into the markets identified above, through grass roots marketing campaigns and social media outlets. We also intend to utilize the networks that our Board, and executive management have developed and to expand our operations through the additions of automated equipment for both manufacturing and inspection, enabling us to become more competitive on standard pistol ammunition used by law enforcement and military personnel as well as for target practice.

We will also focus on establishing strategic partnerships to pursue new sales opportunities including new market segments. Our addressable market includes the 2.6 million law enforcement officers around the world (800,000 domestically and 1.8 million internationally) who annually recertify with their firearms; 1.3 million enlisted personnel in the U.S. Armed Forces, and more than 30 million handgun owning households in the United States with later expansion to international markets for civilian purchasers which, based on industry statistics, represents addressable revenue of billions of dollars annually. Each of these markets has unique challenges or barriers to entry. We believe we are well positioned to grow our market share based on our commitment to innovation, and meeting the changing needs and demographics of ammunition buyers.

Our History

Our ammunition manufacturing business has been fully operational for just over one year. Although our corporate entity commenced in 1990 as a textile manufacturer and importer, then called Retrospectiva, our manufacturing operations formally began in 2017 when we acquired our ammunition business through a Share Exchange agreement.

Results of Operations

The following table presents summarized financial information taken from our consolidated statements of operations for the three months ended March 31, 2018 compared with the three months ended March 31, 2017:

	For the Three-Months Ending	
	March 31, 2018	March 31, 2017 (Unaudited)
Net Sales	\$ 1,960,688	\$ 653,784
Cost of Products Sold	1,667,614	474,890
Gross Margin	293,074	178,894
Sales, General & Administrative Expenses	2,095,388	863,601
Loss from Operations	(1,802,314)	(684,707)
Interest and other income (expense), net	5,086	(1,836,101)
Loss before provision for income taxes	\$ (1,797,228)	\$ (2,520,808)
Provision for income taxes	-	-
Net Loss	\$ (1,797,228)	\$ (2,520,808)

The following table presents data from our consolidated statements of operations for the year ended December 31, 2017 compared with the period ended December 31, 2016:

	For the Twelve Months Ended December 31, 2017	For the Period October 13, 2016 (Inception) to December 31, 2016
Net Sales	\$ 1,294,861	\$ -
Cost of Products Sold	1,303,586	-
Gross Margin	(8,725)	-
Sales, General & Administrative Expenses	3,967,503	136,274
Loss from Operations	(3,976,228)	(136,274)
Interest and other income (expense), net	(1,812,673)	(18,750)
Loss before provision for income taxes	\$ (5,788,901)	\$ (155,024)
Provision for income taxes	-	-
Net Loss	\$ (5,788,901)	\$ (155,024)

Net Sales

Net sales during the three-month period ended March 31, 2018 increased by approximately \$1.3 million compared with the three-month period ended March 31, 2017. The increase resulted from increased sales through our commercial retail channel and our online store, led by sales of our standard bulk ammunition, and the newly released Streak™ product lines. Our One Precise Shot and Stelth lines also increased during the same three-month period in 2018.

Net sales for the year ended December 31, 2017 were approximately \$1.3 million. There were no sales recorded for the year ended December 31, 2016.

Approximately 77% of total sales were recognized in the six-month period ended June 30, 2017. The sales were at an unusually low gross profit rate due to the fact that we were attempting to liquidate the inventory acquired in a foreclosure transaction (See Note 3).

The following table details our gross sales by product line for the periods ended:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Twelve Months Ended December 31, 2017
Prior Inventory ¹	\$ 0	\$ 581,117	\$ 581,117
Streak Visual Ammunition	543,285	0	0
One Precise Shot (OPS) Line	94,936	47,081	285,715
Stelth	31,493	18,179	32,123
Standard Ammunition ²	1,290,974	7,407	395,906
Total Sales	\$ 1,960,688	\$ 653,784	\$ 1,294,861

(1) This total represents inventory purchased as part of the acquisition detailed in Note 3 of our Financial Statements.

(2) This total includes bulk ammunition sales of reprocessed brass casings, and other miscellaneous sales

Sales for the three months ended March 31, 2018 increased 51.4%, or \$665,827, over the year ended December 31, 2017. This was a direct result of sales from our proprietary lines of ammunition detailed in the table above. Our goal is for our sales to continue to grow quarter-over-quarter as we continue to expand sales in commercial markets and initiate sales to U.S. law enforcement, military, and international markets.

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. Our Global Tactical Defense Division is currently working to establish distribution, both in the United States and abroad. To date, we have signed three U.S. distributors, covering 15 states, a sales representative to assist with U.S. Military sales, and are working to establish exclusive distribution in several countries approved by the U.S. State Department. Sales outside of the United States require licenses and approval from the U.S. State Department, which could take six months to a year for processing.

Cost of Goods Sold

Cost of goods sold increased by approximately \$1.2 million for the first three months of 2018 compared with the three months ended March 31, 2017. This was the result of higher sales for the period and the expensing of increased labor, overhead, and raw materials used to produce finished product during the period. This increase is also the result of three full months of operations in 2018 compared with a partial period for the comparable period in 2017, following our acquisition of the Payson Arizona manufacturing facility. As a percentage of sales, cost of goods sold increased by 12.5% from 72.6% for the three-month period ended March 31, 2017 to 85.1% for the three-month period ended March 31, 2018.

Cost of goods sold increased by approximately \$1.3 million for the year ended December 31, 2017 compared with the period ended December 31, 2016. As noted above, our operations did not begin until early 2017. As a result, no sales or associated cost of goods sold were recorded in 2016.

In comparing the cost of goods sold during the year ended December 31, 2017 to the recent three months ended March 31, 2018, our total costs as a percentage of sales have decreased by more than 15%. This was the result of increased sales, allowing us to cover a higher percentage of our fixed costs of manufacturing, which include our non-cash amortization and depreciation expense.

Gross Margin

Gross margin percentage declined during the first three months of 2018 compared with the comparable period in 2017. This resulted from a shift in sales mix, coupled with an increase in start up costs associated with manufacturing our new products.

The three months ended March 31, 2018 compared with the prior twelve months ended December 31, 2017 provided an increased gross margin of 15.6%. As noted above, this was a direct result of the increase in net sales, enabling us to more fully cover our fixed manufacturing costs.

Our goal is to increase gross margins to between 25% and 35% of net sales. This depends on our increased sales of our proprietary ammunition lines becoming more widely adopted, better leverage of our fixed overhead expenses through higher sales volume, efficiency improvements, and placing into service automation equipment currently being procured. We also expect our component costs to decrease as we increase volumes ordered through our supplier base.

Sales, General, and Administrative Expenses

During the three-month period ended March 31, 2018, our sales, general, and administrative expenses increased by approximately \$1.2 million over the comparable three-month period in 2017. This increase was the result of increased payroll expense as we expanded our sales and support team, stock compensation expensed during the period, and trade show and marketing costs associated with introducing our Streak™ and rebranded OPS™ and Stelth product lines. We expect to see administrative expenditures decrease as a percentage of sales late in the 2018 calendar year, as we leverage our work force and expand our sales opportunities.

During the year ended December 31, 2017, our sales, general, and administrative increased by approximately \$3.8 million, over 2016. This increase was the direct result of almost nine more months of operations, coupled with costs incurred to complete the acquisition of our business and re-establish our company as a fully operating entity as well as investments in hiring sales, marketing, and administrative staff to support the ongoing operations. General and administrative expenses included \$564,000 in legal and accounting fees and \$955,000 in consulting fees of which \$665,433 was associated with non-cash stock awards for individuals preferring payment in the Company's common stock over cash compensation.

As a percentage of total sales, sales, general, and administrative expenses decreased by more than 200% for the three months ended March 31, 2018 compared with the year ended December 31, 2017. In 2017, sales and administrative expenses included costs associated with the start-up of the new operations, marketing efforts to brand our company and our proprietary products, and compensation expense associated with issuance of our Common Stock in lieu of cash compensation for employees, newly appointed board members, and key consultants for the organization.

Interest and other Expenses

For the three-month period ended March 31, 2018, interest and other expenses decreased by \$1,841,000 compared with the comparable three-month period in 2017. This decrease resulted from repayment of the outstanding notes payable for the 2017 three-month period. (Please refer to Note 6 – Convertible Note Payable) and the loss on notes receivable foreclosure.

For the first three months of 2018, we did not incur interest expense as all notes payable were paid in full in January 2018. The funds used to repay the outstanding debt at year-end were raised through the sale of Units, each consisting of one share of our Common Stock and a five-year warrant to purchase one-half share of Common Stock at an exercise price of \$2.00 per share. Each unit was sold for \$1.65. We sold 594,702 Units during the months of November and December of 2017, generating a total of \$981,250 of cash for operations. We continued to sell Units through the first three months of 2018. (Please refer to Note 8 – Capital Stock). In total, we raised \$10,244,674 from investors through March 31, 2018.

Interest and other expenses for the year ended December 31, 2017 increased by nearly \$1.8 million over the year ended December 31, 2016. This increase was driven by a one-time write off of approximately \$1.3 million remaining on a note receivable assumed with the acquisition of our business. We also expensed \$431,000 of interest associated with the convertible note payable and notes to related parties in 2017. In 2016, interest expense was approximately \$19,000.

Net Loss

As a result of higher production, selling, and payroll expenses, we ended the three-month period ended March 31, 2018 with a net loss of approximately \$1.8 million compared with a net loss of \$2.5 million for the three-month period ended March 31, 2017.

As a result of the higher costs of manufacturing from our first year of operations in 2017 and the expenses and write offs associated with the acquisition of our business, we ended 2017 with a net loss of approximately \$5.8 million compared with a loss of \$155,000 for 2016.

Our goal is to continue to improve our operating results as we focus on increasing sales and controlling our operating expenses. We also expect to see reductions in our direct labor expense as newly acquired automation equipment is brought on line, reducing handling and manual inspection operations.

Liquidity and Capital Resources

As of March 31, 2018, we had \$4,381,643 of cash and cash equivalents, an increase of \$3,594,820 from December 31, 2017.

Working Capital is summarized and compared as follows:

	March 31, 2018	December 31, 2017	December 31, 2016
Current assets	\$ 8,323,045	\$ 3,019,061	\$ 2,904,155
Current liabilities	1,120,582	2,413,547	2,536,745
	<u>\$ 7,202,463</u>	<u>\$ 605,514</u>	<u>\$ 367,410</u>

Changes in cash flows are summarized as follows:

Operating Activities

For the three-month period ended March 31, 2018, net cash used in operations totaled \$2,279,783. This was the result of a net loss of \$1,797,228 and increases in our accounts receivable of \$1,031,549, and inventory of \$612,693.

The cash used in operations was partially offset by non-cash items and changes in operating assets and liabilities, which included stock issued for services of \$125,000, stock issued for compensation of \$482,624, stock grants of \$106,563, a \$289,007 increase in accounts payable and accrued liabilities, a \$101,114 increase in our prepaid expenses, and depreciation and amortization of \$72,258.

For the year ended December 31, 2017, net cash used in operations totaled \$3,279,367. This was the result of a net loss of \$5,788,901 for the year ended December 31, 2017, coupled with cash used to increase inventory of \$928,762, an increase in our accounts receivable of \$171,812, and \$18,461 of cash paid to reduce our related party payable balances.

The cash used in operations was partially offset by non-cash items and changes in operating assets and liabilities, which included stock issued for legal and consulting of \$567,813, stock issued for compensation of \$160,000, discounts taken on notes payable or \$356,250, \$673,672 increase in accounts payable and accrued liabilities, \$183,181 reduction in prepaid expenses, \$186,486 reduction in vendor advances, depreciation and amortization of \$148,860, a \$26,046 allowance for doubtful accounts, \$46,340 of imputed interest, and a one-time write off of \$1,279,921 associated with the vendor note receivable from Advanced Tactical Armament Concepts, LLC.

Investing Activities

During the three-month period ended March 31, 2018, we used \$607,181 in net cash for investing activities compared with \$36,017 for the comparable period in 2017. Of this total, \$100,000 was used to purchase an exclusive worldwide license to manufacture and sell our Stealth™ Visual ammunition technology. This patented technology, trade named "Streak", uses a non-flammable phosphor material that produces a glow by the use of light emitted during the round discharge. We believe this technology, applicable to all calibers of ammunition, will be a game changer for the industry moving forward. Additionally, we used \$507,181 to purchase equipment to increase production at our Payson Arizona manufacturing facility.

For the year ended December 31, 2017, we used \$404,188 in net cash for investing activities. Of the \$404,188, \$100,000 was used to acquire an exclusive worldwide license to manufacture and sell Streak Visual ammunition technology. Additionally, we used \$304,188 to purchase equipment to increase production throughput at our Payson, Arizona manufacturing facility. There was no cash used in investing activities in 2016.

Financing Activities

We financed our operations primarily from the issuance of equity instruments. During the three-month period ended March 31, 2018, net cash provided by financing activities was \$6,481,784. This was the net effect of \$9,263,424 generated from the sale of Common Stock included in Units coupled with the collection of a prior year subscription receivable of \$5,000, offset by the reduction of notes payable totaling \$1,575,000, cash payments of \$1,137,211 made to our investment banker in conjunction with the Unit offering, and the payment of \$74,429 toward our insurance premium note payable.

We financed our operations primarily from the issuance of equity and debt instruments. For the year ended December 31, 2017, net cash provided by financing activities was \$4,460,262. This was the net effect of \$6,038,900 generated from the Unit offering. These sales of our securities, coupled with the collection of a prior year subscription receivable of \$167,500, were offset by the repayment of notes payable totaling \$1,260,000, the repayment of \$207,033 for our insurance premium note payable, the issuance of shares of Common Stock to our founders totaling \$99,355, and cash payments of \$179,750 made to our investment banker in conjunction with the 2017 stock sales.

In comparison, for the year ended December 31, 2016, net cash provided by financial activities totaled \$1,932,500, consisting of \$1,500,000 cash generated from a convertible note and \$732,500 generated through the sale of Common Stock, offset by a \$75,000 repayment of a note payable, and \$225,000 of cash from the sale of shares.

Liquidity and Capital Resources

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 12 months. Generally, we have financed operations to date through the proceeds of stock sales, bank financings, and related-party notes.

We believe financing will be available, both through conventional financing relationships and through the continued sales of our Common Stock. However, there is no assurance that such funding will be available on terms acceptable to us or at all. We believe that our current cash on hand, coupled with alternative sources of funding will be sufficient to satisfy our currently anticipated cash requirements, including capital expenditures, working capital requirements, potential acquisitions and other liquidity requirements through at least the next 12 months.

Contractual Obligations

As part of the acquisition of our business, we assumed a triple-net operating lease for our 20,000 square foot manufacturing facility located in Payson, Arizona. The terms of the lease provide for a monthly payment of approximately \$10,000, which includes an estimate for utilities, taxes, and repairs. This lease expires in November 2021.

We believe this facility will be adequate to meet our needs in the near future. However, we are making plans to expand the building footprint to accommodate additional automation equipment. We intend to pay for these improvements from working capital and will amortize the costs over the remaining lease period.

The following table outlines our future contractual financial obligations associated with this lease by period in which payment is expected, as of March 31, 2018:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
Payson Lease	\$ 120,000	\$ 120,000	\$ 120,000	\$ 80,000	\$ 440,000

Off-Balance Sheet Arrangements

As of March 31, 2018 and December 31, 2017, 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 accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues, and expenses. We have identified several accounting principles that we believe are key to the understanding of our financial statements. These important accounting policies require our most difficult subjective judgements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

We state inventories at the lower of cost and 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, 2018, and December 31, 2017, we conducted a full analysis of inventory on hand and expensed all inventory not currently in use, or for which there was no future demand.

Research and Development

To date, we have expensed all costs associated with developing our product specifications, manufacturing procedures, and products through our cost of products sold, as this work was done by the same employees who produced the finished product. We anticipate that it may become necessary to reclassify research and development costs into our operating expenditures for reporting purposes as we begin to develop new technologies and lines of ammunition.

Revenue Recognition

We generate revenue from the production and sale of ammunition. We recognize revenue when it is realized or realizable and earned.

We consider revenue realized or realizable and earned when all of the following criteria are met:

persuasive evidence of an arrangement exists

the product has been shipped to the customer

the sales price is fixed or determinable

collectability is reasonably assured

We derived approximately 59% of total revenue from three customers during the three months ended March 31, 2018 and 68% of the accounts receivable were due from two customers at March 31, 2018. Additionally, we derived approximately 58% of total revenue from one customer for the year ended December 31, 2017 and 47% of the accounts receivable were due from two customers at December 31, 2017.

Excise Tax

As a result of regulations imposed by the Federal Government for sales of ammunition to non-government entities, we must charge and collect an 11% excise tax for all products sold into these channels. During the three-month period ended March 31, 2018, and the year ended December 31, 2017, we collected and remitted \$194,003 and \$132,294, 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 liability 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, 2018 and December 31, 2017. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair value. These financial instruments include cash, accounts payable, and amounts due to related parties. Fair values were assumed to approximate carrying values because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Income Taxes

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

Stock-Based Compensation

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

In addition to our base of employees, we also use the services of several contract personnel and other professionals on an "as needed basis". We plan to continue to use consultants, legal and patent attorneys, engineers and accountants as necessary. We may also expand our staff to support the market roll out of our products to both the commercial and government related organizations. A portion of any key employee compensation likely would include direct stock grants, which would dilute the ownership interest of holders of existing shares of our Common Stock.

Expected purchase or sale of plant and significant equipment

We anticipate investing significant resources in the purchase of plant and equipment in the coming months as we begin to scale production operations throughout calendar 2018. This equipment will be funded through working capital and bank financing. We believe these additions will significantly improve our plant capacity and reduce our cost per unit sold.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of March 31, 2018, and as of December 31, 2017 and 2016

Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2018, and the twelve months December 31, 2017 and December 31, 2016

Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2018, and the twelve months ended December 31, 2017 and 2016

Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and the twelve months ended December 31, 2017 and 2016

Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Ammo, Inc. Scottsdale, Arizona
85251

Opinion on the consolidated financial statements

We have audited the accompanying consolidated balance sheets of Ammo, Inc. (the Company) as of March 31, 2018 and December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows for the three month period ended March 31, 2018, the year ended December 31, 2017 and for the period from October 13, 2016 (Inception) to December 31, 2016, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2018 and December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for the three month period ended March 31, 2018, the year ended December 31, 2017 and for the period from October 13, 2016 (Inception) to December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KWCO, PC
KWCO, PC

We have served as the Company's auditor since 2016.

Odessa, Texas

May 24, 2018

Ammo, Inc.
CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
ASSETS			
Current Assets:			
Cash	\$ 4,381,643	\$ 786,823	\$ 10,116
Accounts receivable, net of allowance for doubtful accounts of \$23,046 at March 31, 2018 and \$26,046 at December 31, 2017	1,201,117	166,731	-
Due from related parties	14,204	18,461	-
Vendor notes receivable, net of allowance for doubtful collection of \$360,993	-	-	2,585,000
Vendor advances receivable	-	-	89,934
Inventories, at lower of cost or market, principally average cost method	2,405,007	1,792,314	219,105
Prepaid expenses	321,074	254,732	-
Total Current Assets	<u>8,323,045</u>	<u>3,019,061</u>	<u>2,904,155</u>
Equipment , net of accumulated depreciation of \$113,158 at March 31, 2018 and \$77,861 at December 31, 2017	1,241,326	769,442	-
Other Assets:			
Deposits	16,300	-	-
Licensing agreements, net of accumulated amortization of \$58,333 at March 31, 2018 and \$45,833 at December 31, 2017	191,667	204,167	125,000
Patents, net of accumulated amortization of \$49,627 at March 31, 2018 and \$25,166 at December 31, 2017	900,373	924,834	-
TOTAL ASSETS	<u>\$ 10,672,711</u>	<u>\$ 4,917,504</u>	<u>\$ 3,029,155</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	\$ 479,465	\$ 476,893	\$ 57,995
Accrued liabilities	541,210	254,774	-
Convertible note payable, net of debt discount of \$356,250 at December 31, 2016	-	1,575,000	1,518,750
Note payable - related party	-	100,000	960,000
Insurance premium note payable	99,907	6,880	-
Total Current Liabilities	<u>1,120,582</u>	<u>2,413,547</u>	<u>2,536,745</u>
Shareholders' Equity:			
Common stock, \$0.001 par value, 100,000,000 shares authorized; 28,394,503, 22,487,793 and 15,754,000 shares issued and outstanding at March 31, 2018, December 31, 2017 and 2016, respectively	28,394	22,488	15,754
Additional paid-in capital	17,264,888	8,430,394	799,180
Stock subscription receivable	-	(5,000)	(167,500)
Accumulated (Deficit)	(7,741,153)	(5,943,925)	(155,024)
Total Shareholders' Equity	<u>9,552,129</u>	<u>2,503,957</u>	<u>492,410</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 10,672,711</u>	<u>\$ 4,917,504</u>	<u>\$ 3,029,155</u>

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

Ammo, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2018	For the Year Ended December 31, 2017	For the Period October 13, 2016 (Inception) to December 31, 2016
Gross Sales, net of customer incentives, discounts, returns, and allowances	1,960,688	\$ 1,294,861	\$ -
Cost of Goods Sold, includes depreciation and amortization of \$66,405 and \$141,575 in 2018 and 2017, respectively, and federal excise taxes of \$194,003 and \$132,294 in 2018 and 2017, respectively	1,667,614	1,303,586	-
Gross Margin	293,074	(8,725)	-
Operating Expenses			
Selling and marketing	585,294	759,053	-
Corporate general and administrative	589,983	2,154,498	136,274
Employee salaries and related expenses	914,258	1,046,667	-
Depreciation expense	5,853	7,285	-
Total operating expenses	2,095,388	3,967,503	136,274
Loss from Operations	(1,802,314)	(3,976,228)	(136,274)
Other (Expenses)			
Loss on vendor notes receivable foreclosure	-	(1,279,921)	-
Interest expense	5,086	(532,752)	(18,750)
(Loss) before Income Taxes	(1,797,228)	(5,788,901)	(155,024)
Provision for Income Taxes	-	-	-
Net (Loss)	\$ (1,797,228)	\$ (5,788,901)	\$ (155,024)
(Loss) per share			
Basic and fully diluted:			
Weighted average number of shares outstanding	26,045,890	19,279,601	15,754,000
(Loss) per share	\$ (0.07)	\$ (0.30)	\$ (0.01)

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

Ammo, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 2018, For the Year Ended December 31, 2017 and
For the Period October 13, 2016 (Inception) to December 31, 2016

	<u>Common Shares</u>		<u>Additional Paid-In Capital</u>	<u>Subscription Receivable</u>	<u>Accumulated (Deficit)</u>	<u>Total</u>
	<u>Number</u>	<u>Par Value</u>				
Balance as of October 13, 2016	-	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock issued for founder's shares	14,934,000	14,934	-	-	-	14,934
Common stock issued for licensing agreement	100,000	100	124,900	-	-	125,000
Common stock issued for cash	720,000	720	899,280	(167,500)	-	732,500
Organizational and fundraising cost	-	-	(225,000)	-	-	(225,000)
Net loss for period ended December 31, 2016	-	-	-	-	(155,024)	(155,024)
Balance as of December 31, 2016	<u>15,754,000</u>	<u>\$ 15,754</u>	<u>\$ 799,180</u>	<u>\$ (167,500)</u>	<u>\$ (155,024)</u>	<u>\$ 492,410</u>
Reverse merger and recapitalization	604,371	604	(604)	-	-	-
Subscriptions collected	-	-	-	167,500	-	167,500
Common stock issued to founders	500,000	500	145	-	-	645
Founder shares repurchased	(400,000)	(400)	(99,600)	-	-	(100,000)
Common stock issued for cash	4,640,822	4,641	6,034,259	-	-	6,038,900
Common stock issued for payment of legal fees	49,600	50	123,950	-	-	124,000
Subscription receivable	4,000	4	4,996	(5,000)	-	-
Organizational and fundraising cost	20,000	20	(179,770)	-	-	(179,750)
Common stock issued for licensing agreement	100,000	100	124,900	-	-	125,000
Legal, advisory and consulting fees	495,000	495	554,130	-	-	554,625
Employee stock awards	120,000	120	159,880	-	-	160,000
Shares issued for patents	600,000	600	749,400	-	-	750,000
Imputed interest on related party note	-	-	46,340	-	-	46,340
Issuance of warrants for interest	-	-	46,188	-	-	46,188
Issuance of warrants for services	-	-	67,000	-	-	67,000
Net loss for year ended December 31, 2017	-	-	-	-	(5,788,901)	(5,788,901)
Balance as of December 31, 2017	<u>22,487,793</u>	<u>\$ 22,488</u>	<u>\$ 8,430,394</u>	<u>\$ (5,000)</u>	<u>\$ (5,943,925)</u>	<u>\$ 2,503,957</u>
Subscription collected	-	-	-	5,000	-	5,000
Common stock issued for cash	5,614,210	5,614	9,257,810	-	-	9,263,424
Organizational and fundraising cost	-	-	(1,137,211)	-	-	(1,137,211)
Employee stock awards	292,500	292	482,332	-	-	482,624
Stock grant expense	-	-	106,563	-	-	106,563
Issuance of warrants for services	-	-	125,000	-	-	125,000
Net loss for period ended March 31, 2018	-	-	-	-	(1,797,228)	(1,797,228)
Balance as of March 31, 2018	<u>28,394,503</u>	<u>\$ 28,394</u>	<u>\$ 17,264,888</u>	<u>\$ -</u>	<u>\$ (7,741,153)</u>	<u>\$ 9,552,129</u>

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

Ammo, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOW

	For the Three Months Ended March 31, 2018	For the Year Ended December 31, 2017	For the Period October 13, 2016 (Inception) to December 31 2016
Cash flows from operating activities:			
Net (Loss)	\$ (1,797,228)	\$ (5,788,901)	\$ (155,024)
Adjustments to reconcile Net (Loss) to Net Cash provided by operations:			
Debt discount amortization	-	356,250	18,750
Depreciation and amortization	72,258	148,860	-
Loss on vendor notes receivable foreclosure	-	1,279,921	-
Founders shares issued as consulting fees	-	-	14,934
Stock for services	-	454,625	-
Warrants for services and interest	125,000	113,188	-
Employee stock awards	482,624	160,000	-
Stock Grants	106,563	-	-
Imputed interest	-	46,340	-
Changes in Current Assets and Liabilities			
Vendor notes receivable	-	-	(1,550,000)
Vendor advances receivable	-	186,486	(89,934)
Accounts receivable	(1,031,385)	(171,812)	-
Allowance for doubtful accounts	(3,000)	26,046	-
Due from related parties	4,257	(18,461)	-
Inventories	(612,693)	(928,762)	(219,105)
Prepaid expenses	101,114	183,181	-
Deposits	(16,300)	-	-
Accounts payable	2,572	418,898	57,995
Accrued liabilities	286,435	254,774	-
Net cash used in operating activities	<u>(2,279,783)</u>	<u>(3,279,367)</u>	<u>(1,922,384)</u>
Cash flows from investing activities			
Purchase of equipment	(507,181)	(304,188)	-
Patent Note Payment	(100,000)	(100,000)	-
Net cash used in investing activities	<u>(607,181)</u>	<u>(404,188)</u>	<u>-</u>
Cash flow from financing activities			
Convertible note payable	(1,575,000)	-	1,500,000
Convertible note payment	-	(300,000)	-
Note payment - related party	-	(960,000)	(75,000)
Insurance premium note payment	(74,429)	(207,033)	-
Sale of common stock	9,263,424	6,038,900	732,500
Collection of stock subscription	5,000	167,500	-
Common stock activity - founder shares	-	(99,355)	-

(Continued)
Ammo, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOW

	For the Three Months Ended March 31, 2018	For the Year Ended December 31, 2017	For the Period October 13, 2016 (Inception) to December 31 2016
Organizational and fundraising costs	(1,137,211)	(179,750)	(225,000)
Net cash provided by financing activities	<u>6,481,784</u>	<u>4,460,262</u>	<u>1,932,500</u>
Net increase in cash	3,594,820	776,707	10,116
Cash, beginning of period	786,823	10,116	-
Cash, end of period	<u>\$ 4,381,643</u>	<u>\$ 786,823</u>	<u>\$ 10,116</u>
Supplemental cash flow disclosures			
Cash paid during the period for -			
Interest	\$ -	\$ 9,105	\$ -
Income taxes	\$ -	\$ -	\$ -
Non-cash investing and financing activities:			
Vendor note receivable foreclosure -			
Vendor notes receivable	\$ -	\$ 1,305,079	\$ -
Vendor advances receivable	-	(96,552)	-
Accounts receivable	-	(20,965)	-
Inventories	-	(644,447)	-
Equipment	-	(543,115)	-
Vendor notes receivable	-	-	(1,035,000)
Licensing Agreement	-	(125,000)	(125,000)
Issuance of common stock	-	125,000	-
Insurance premium note payable	167,456	213,913	-
Prepaid expense	(167,456)	(213,913)	-
Common Stock	-	604	-
Additional paid-in-capital	-	(604)	-
Prepaid legal services	-	(224,000)	-
Issuance of common stock	-	224,000	125,000
Notes payable - related parties	-	-	1,035,000
Issuance of common stock	-	750,000	-
Patent acquisition	-	(750,000)	-
Stock subscription receivable	-	(5,000)	(167,500)
Additional paid-in-capital	-	5,000	167,500
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and December 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND BUSINESS ACTIVITY

We were formed under the name Retrospektiva, Inc. in November 1990 to manufacture and import textile products, including both finished garments and fabrics. We were inactive until following a series of events in December 2016 and March 2017. On December 15, 2016, our then principal stockholders sold their outstanding common stock to Fred W. Wagenhals, who is our Chairman of the Board, President, Chief Executive Officer, and largest stockholder. On the same date, Mr. Wagenhals became the sole officer and director of our company; we changed our name to AMMO, Inc., changed our trading symbol to POWW, changed our state of incorporation from California to Delaware, engaged in a 1-for-25 reverse stock split, and increased our authorized Common Stock to 100,000,000 shares of Common Stock.

Our principal stockholder organized another company ("AIP"), which immediately began to take steps to commence its ammunition business. On March 17, 2017, we entered into a Share Exchange Agreement with the stockholders of AIP that resulted in our acquisition of all the shares of common stock of AIP for 604,371 shares of our common stock and our succession to the ammunition business of AIP.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

We use the accrual basis of accounting and accounting principles generally accepted in the United States of America ("GAAP") and all amounts are expressed in U.S. dollars. We have adopted a March 31 year end.

The financial statements and related disclosures as of March 31, 2018, December 31, 2017, and December 31, 2016 are presented pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Unless the context otherwise requires, all references to "Ammo", "we", "us", "our," or the "Company" are to AMMO, Inc., a Delaware corporation.

Principles of Consolidation

The consolidated financial statements include the accounts of Ammo, Inc. and its wholly owned subsidiaries, SNI, LLC, and Ammo Technologies, Inc (inactive). All significant intercompany accounts and transactions are eliminated in consolidation

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Cash and Cash Equivalents

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

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and for December 31, 2017 and 2016

Accounts Receivable and Allowance for Doubtful Accounts

Our accounts receivable represent 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, 2018 and December 31, 2017, we reserved \$23,046 and \$26,046, respectively, of allowance for doubtful 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, or JJF. The license agreement grants us the exclusive worldwide rights through October 15, 2021 to Mr. James' image rights and trademarks associated with him in connection with the marketing, promotion, advertising, sale, and commercial exploitation of Jesse James Branded Products. In addition, Mr. James agreed to make himself available for certain promotional activities and to promote Jesse James Branded Products through his own social media outlets. We agreed to pay Mr. James royalty fees on the sale of ammunition and non-ammunition Branded Products and to reimburse him for any out-of-pocket expenses and reasonable travel expenses. We also issued 100,000 shares of our common stock upon the execution of the license agreement with the potential issuance of up to 75,000 additional shares of common stock upon achieving certain gross sales with \$15 million in gross sales required to earn the entire 75,000 shares.

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

Patent

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

The shares were valued at \$1.25 and the aggregate value of \$950,000 was recorded as a patent asset. This asset will be amortized from September 2017, the first full month of the acquired rights, through October 29, 2028. Amortization of the patent for the years ended March 31, 2018 and December 31, 2017 were \$24,461 and \$25,166, respectively.

Under the terms of the Merger, ATI succeeded to all of the assets of Hallam, Inc. and assumed the liabilities of Hallam, Inc., which were none. The primary asset of Hallam, Inc. was an exclusive license to produce projectiles and ammunition using the Hybrid Luminescence Ammunition Technology under patent U.S. 8,402,896 B1 with a publication date of March 26, 2013 owned by University of Louisiana at Lafayette. The license was formally amended and assigned to Ammo Technologies Inc. pursuant to an Assignment and First Amendment to Exclusive License Agreement. Assumption Agreement dated to be effective as of August 22, 2017, the Merger closing date.

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 three-months ended March 31, 2018 or the year ended December 31, 2017 or for the period from October 13, 2016 (inception) to December 31, 2016.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and December 31, 2017 and 2016

Revenue Recognition

We generate revenue from the production and sale of ammunition. We recognize revenue when it is realized or realizable and earned.

We consider revenue realized or realizable and earned when all of the following criteria are met:

- persuasive evidence of an arrangement exists
- the product has been shipped to the customer
- the sales price is fixed or determinable
- collectability is reasonably assured

We derived approximately 59% of total revenue from three customers during the three months ended March 31, 2018 and 68% of the accounts receivable were due from two customers at March 31, 2018. Additionally, we derived approximately 58% of total revenue from one customer for the year ended December 31, 2017 and 47% of the accounts receivable were due from two customers at December 31, 2017.

Advertising Costs

We expense advertising costs as they are incurred. We incurred advertising and marketing costs of \$245,472 and \$220,154 for the three months ended March 31, 2018 and for the year ended December 31, 2017, respectively.

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 the grant date of March 12, 2018 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.

Assumptions included:

	March 31, 2018	December 31, 2017
Risk free interest rate	2.05%	1.31 - 1.5%
Expected volatility	195%	250%
Expected term	1 year	1 - 1.5 years
Expected dividend yield	0%	0%

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and December 31, 2017 and 2016

In the year ended December 31, 2017, Equipment acquired in the foreclosure transaction and the patent were valued on their respective acquisition dates using fair values.

	<u>Quoted Active Markets for Identified Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Unobservable Inputs</u>	<u>Total</u>
	(Level 1)	(Level 2)	(Level 3)	
March 31, 2018				
Employee stock awards	-	\$ 482,432	\$ -	\$ 482,432
Executive Stock Grant Expense	-	106,563	-	-
Warrants issued for services	-	-	125,000	125,000
December 31, 2017				
Common stock issued for legal, advisory and consulting fees	-	\$ 454,625	\$ -	\$ 454,625
Employee stock awards	-	160,000	-	160,000
Common stock for licensing agreement	-	125,000	-	125,000
Patent acquisition, noncash element	-	-	750,000	750,000
Warrants issued for interest	-	-	46,188	46,188
Warrants issued for services	-	-	67,000	67,000
Assets acquired in foreclosure	-	-	543,115	543,115
Common Stock issued for prepaid legal fees	-	224,000	-	224,000

Inventories

We state inventories at the lower of cost or market. 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 inventories for obsolescence.

Property and Equipment

We state property and equipment at cost, less accumulated depreciation. We capitalize major renewals and improvements, while we charge minor replacements, maintenance, and repairs to current operations. We compute depreciation by applying the straight-line method over estimated useful lives, which are generally five to seven years.

Compensated Absences

We have not accrued a liability for compensated absences in accordance with *Accounting Standards Codifications 710 – Compensation – General*, as the amount of the liability cannot be reasonably estimated at March 31, 2018 and December 31, 2017 and 2016.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and December 31, 2017 and 2016

Stock-Based Compensation

We account for stock-based compensation at fair value in accordance with SFAS No. 123 and 123 (R) (ASC 718). 125,000 warrants were issued to Ron Shostack, Chief Financial Officer. Additionally, 292,500 shares of common stock were issued to employees for services.

On March 12, 2018, we entered into an employment agreement with Kathy Hanrahan, President of our Global Tactical Defense Division and a director, that included, among other provisions, an equity grant of 400,000 shares of common stock that vests at the rate of 100,000 shares annually for four years. The \$660,000 compensation value is being recognized on a straight-line basis over the four-year period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

Concentrations of Credit Risk

Accounts at banks are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at various times. As of March 31, 2018, our bank account balances exceeded federally insured limits.

Income Taxes

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

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 possible that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in our 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. There were no known contingencies at December 31, 2017 or March 31, 2018.

Recent Accounting Pronouncements

We have implemented all new accounting pronouncements that are in effect and that may impact our financial statements and do not believe there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

Loss Per Common Share

We calculate basic loss per share using the weighted-average number of shares of common stock outstanding during each reporting period. Diluted loss per share includes potentially dilutive securities, such as outstanding options and warrants, using various methods, such as the treasury stock or modified treasury stock method, in the determination of dilutive shares outstanding during each reporting period. We have issued warrants to purchase 8,872,160 shares of common stock and stock options to purchase 400,000 shares of common stock that are potentially dilutive. All weighted average numbers were adjusted for the reverse stock split and merger transaction. Diluted earnings per share exclude all potentially dilutive shares because their effect is anti-dilutive.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and December 31, 2017 and 2016

NOTE 3 – VENDOR NOTES RECEIVABLE

Vendor note receivable consisted of the following at December 31, 2016:

	Amount
Advanced Tactical Armament Concepts, L.L.C. Notes Payable Purchased by Ammo	
Western Alliance Bank	\$ 1,910,993
Less: Allowance for uncollectible amounts	(360,993)
	1,550,000
Mansfield, LLC	1,035,000
	\$ 2,585,000

On October 24, 2016, we entered into an agreement to purchase from Western Alliance Bank a note payable by Advanced Tactical Armament Concepts, L.L.C. ("ATAC"), which had an outstanding balance of \$1,910,993 for \$1,550,000, the amount that we determined to be the asset's fair value on the date of the purchase. The loan is secured by a master lease agreement (ATAC's manufacturing equipment), all assets of ATAC, and loan guarantees from the principal owners of ATAC. We determined that the value of the purchased note was the value paid to Western Alliance Bank. This promissory note held by us, between ATAC and Western Alliance Bank, was due in full on or before February 28, 2017.

In October and November 2016, Mansfield L.L.C. ("Mansfield"), a company owned by our CEO, Fred Wagenhals, loaned ATAC \$900,000 and ATAC executed a promissory note payable for that amount. The note payable was secured by all of the assets of ATAC. On December 16, 2016, we and Mansfield entered into a note purchase and sale agreement. We purchased the promissory note for \$1,035,000 and assumed Mansfield's collateral position. The Managing Member of Mansfield, Tod Wagenhals, is related to our CEO. The \$1,035,000 was payable on or before the closing date of the note purchase and sale agreement.

On February 20, 2017, a sale was held for the disposition of collateral for Advanced Tactical Armament Concepts, LLC, a Nevada Limited Liability Company. We were a secured party and submitted a creditor bid. Our bid for the sale for the disposition of collateral was the highest and was accepted. We reflected this transaction in the following manner:

Vendor notes receivable	\$ 2,585,000
Vendor advances receivable	(96,552)
Accounts receivable	(20,965)
Inventories	(644,447)
Equipment	(543,115)
Loss on vendor notes receivable collectability	(1,279,921)
	\$ -

NOTE 4 – INVENTORIES

At March 31, 2018, December 31, 2017 and 2016, the inventory balances consisted of the following:

	2018	2017	2016
Finished product	\$ 809,680	\$ 1,007,291	\$ -
Raw materials	1,471,666	764,810	219,105
Work in process	123,661	20,213	-
	\$ 2,405,007	\$ 1,792,314	\$ 219,105

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and December 31, 2017 and 2016

NOTE 5 – 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 seven 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 selling, general, and administrative 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.

Property and equipment consisted of the following at March 31, 2018 and December 31, 2017:

	2018	2017
Leasehold Improvements	\$ 17,772	\$ 15,475
Furniture and Fixtures	8,102	33,751
Vehicles	89,388	36,500
Tooling	359,351	184,626
Equipment	879,871	576,951
Total property and equipment	\$ 1,354,484	\$ 847,303
Less accumulated depreciation	(113,158)	(77,861)
Net property and equipment	<u>\$ 1,241,326</u>	<u>\$ 769,442</u>

Depreciation expense for the three months ended March 31, 2018 and for the year ended December 31, 2017 totaled \$35,297 and \$77,861, respectively.

NOTE 6 – CONVERTIBLE NOTE PAYABLE

We entered into an agreement for a short-term convertible note payable to an unrelated party on December 22, 2016 with a 60-day maturity and a \$1,875,000 principal balance. The note had a one-time fee of \$375,000, which was amortized as interest ratably over the 60-day period. The note is convertible into shares of our common stock and one stock purchase warrant at a conversion price of \$1.25 per unit and an exercise price of \$2.50.

During the year ended December 31, 2016, we recognized \$18,750 of interest as amortization of a portion of the one-time interest fee. As of December 31, 2016, the balance of the note payable was \$1,518,750, net of \$356,250 of debt discount.

During the year ended December 31, 2017, we recognized \$356,250 of interest as amortization of a portion of the one-time interest fee and accrued an additional \$74,896 in interest expense. As of December 31, 2017, the balance of the note payable was \$1,575,000.

During the three months ended March 31, 2018, we recorded no additional interest expense and the note was paid in full.

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and December 31, 2017 and 2016

NOTE 7 – NOTES PAYABLE – RELATED PARTY

On December 16, 2016, we and Mansfield, an entity controlled by our Chief Executive Officer, entered into a note purchase and sale agreement to purchase a promissory note held by Mansfield and payable by ATAC. We purchased the promissory note for \$1,035,000. The note was repaid on December 31, 2017. Interest on the note was imputed in the amount of \$46,340.

In connection with the acquisition of the patent on August 22, 2017, we were obligated to pay \$200,000 to Hallam, Inc.'s shareholders. The first \$100,000 was paid on August 22, 2017, and a note was executed in the amount of \$100,000 which was paid in full on February 2, 2018.

On August 29, 2017, we borrowed \$100,000 from a paid legal consultant to whom we issued warrants to purchase 40,000 shares of common stock with an exercise price of \$0.50 per share, expiring two years from date of issuance. The warrants were valued at \$46,188 and recognized as interest expense in 2017. The note was paid in full on October 31, 2017.

NOTE 8 – CAPITAL STOCK

Our authorized capital consists of 100,000,000 shares of common stock with a par value of \$0.001 per share.

During the period from October 13, 2016 (Inception) to December 31, 2016, we sold 720,000 shares of our common stock for \$1.25 per share, issued 14,934,000 shares of common stock to our company's founders for \$14,934, and issued 100,000 shares of common stock valued at \$125,000 for a license agreement

During the 12-month period ended December 31, 2017, we issued 6,733,793 shares of common stock as follows:

- 604,371 were issued in connection with the acquisition of our business assets
- 100,000 net shares were issued to founding shareholders
- 4,640,822 shares were sold to investors for \$6,038,900
- 544,600 shares valued at \$678,625 were issued for legal, advisory, and consulting fees
- 600,000 shares valued at \$750,000 were issued to acquire the use of a patent
- 120,000 shares valued at \$160,000 were issued to employees as compensation
- 100,000 shares were issued to Jeff Rann for a licensing agreement
- 24,000 shares were issued for other purposes

During the three-month period ended March 31, 2018, we issued 5,906,710 shares of common stock as follows:

- 5,614,210 shares were sold to investors for \$9,263,424
- 292,500 shares valued at \$482,624 were issued to employees and directors as compensation
- 400,000 shares were granted to an executive that have not yet vested

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and December 31, 2017 and 2016

At March 31, 2018, December 31, 2017 and 2016, outstanding and exercisable stock purchase warrants consisted of the following:

	2016		
	Number of Shares	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
Outstanding at October 13, 2016	-	-	-
Granted	720,000	\$ 2.50	1.95
Exercised	-	-	-
Forfeited or cancelled	-	-	-
Expired	-	-	-
Outstanding at December 31, 2016	720,000	\$ 2.50	1.95
Exercisable at December 31, 2016	720,000	\$ 2.50	1.95
	2017		
	Number of Shares	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
Outstanding at December 31, 2016	720,000	\$ 2.50	1.95
Granted	4,542,338	2.42	1.90
Exercised	-	-	-
Forfeited or cancelled	-	-	-
Expired	-	-	-
Outstanding at December 31, 2017	5,262,338	\$ 2.43	1.77
Exercisable at December 31, 2017	5,262,338	\$ 2.43	1.77
	2018		
	Number of Shares	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
Outstanding at December 31, 2017	5,262,338	\$ 2.43	1.77
Granted	3,609,822	1.95	5.13
Exercised	-	-	-
Forfeited or cancelled	-	-	-
Expired	-	-	-
Outstanding at March 31, 2018	8,872,160	\$ 2.23	2.97
Exercisable at March 31, 2018	8,872,160	\$ 2.23	2.97

AMMO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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In November of 2017, the Board of Directors approved the 2017 Equity Incentive Plan (“the Plan”). Under the Plan, 485,000 shares of the common stock were reserved and authorized to be issued. As of December 31, 2017, 200,000 shares of common stock were approved and issued under the Plan, and we recognized approximately \$250,000 of related consulting expense. On January 10, 2018, 200,000 shares were awarded, and we recognized \$330,000 of compensation expense. There are 85,000 shares remaining to be issued under the Plan.

In October of 2017, we entered into a placement agent agreement to secure equity capital from qualified investors to provide funds to expand our operations. The offering consisted of Units priced at \$1.65, which included one share of common stock and one five-year warrant to purchase an additional half-share of common stock for an exercise price of \$2.00 per share. Effectively, every two units purchased provided the investor with a five-year warrant at an exercise price of \$2.00 per share. Units sold under this arrangement totaled 594,702 shares of common stock and 297,351 warrants for \$981,250 during the year ended December 31, 2017, and 5,614,210 shares of common stock and 2,807,105 warrants for a total of \$9,263,424 for the period ended March 31, 2018. The total number of Units covered by this offering was 6,060,060, and the amount was \$10,000,000. In March 2018, we entered into a second placement agent agreement with the same terms for up to an additional \$3,500,000.

For services provided under the placement agreements, the placement agent collected a 12% cash fee on the sale of every Unit and a fee payable in warrants equaling 12% of the total Units sold. These warrants have a term of seven years and an exercise price of \$1.65 per share. The cash fee totaled \$117,750 for the year ended December 31, 2017 and \$1,137,211 for the period ended March 31, 2018, including reimbursed expenses. Under this agreement, we recognized 71,364 and 673,605 warrants as authorized, but unissued as of December 31, 2017 and March 31, 2018, respectively.

NOTE 9 – ACCRUED LIABILITIES

At March 31, 2018, December 31, 2017 and December 31, 2016, accrued liabilities were as follows:

	2018	2017	2016
Accrued payroll	\$ 172,419	\$ 145,779	\$ -
Accrued interest	-	74,896	-
Accrued FAET	133,104	26,075	-
Accrued professional fees	99,255		
Other accruals	136,432	8,024	-
	<u>\$ 541,210</u>	<u>\$ 254,774</u>	<u>\$ -</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

On December 16, 2016, we purchased a promissory note in the amount of \$1,035,000 from Mansfield L.L.C. (“Mansfield”), a company owned by our CEO, Fred Wagenhals. We paid \$75,000 on the note in the year ended December 31, 2016 and \$960,000 in the year ended December 31, 2017 and recorded imputed interest of \$46,340

Our executive offices are located in Scottsdale, Arizona where we lease approximately 5,000 square feet under a month-to-month triple net lease for \$3,800 per month. This space houses our principal executive, administration, and marketing functions. Our Chairman, President, and Chief Executive Officer owns the building in which our executive offices are leased.

During the period ended March 31, 2018, we paid approximately \$69,800 in consulting fees, and \$12,434 of rent to related parties. During the year ended December 31, 2017, we paid approximately \$212,700 in consulting fees, \$143,000 in rents and corporate overhead and reimbursed general corporate expenses of \$121,500 to related parties.

AMMO, INC.
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NOTE 11 – OPERATING LEASES

We are obligated under a triple-net operating lease for our 20,000 square foot manufacturing facility located in Payson, Arizona. The terms of the lease require a payment of approximately \$10,000 per month, which includes an estimate for utilities, taxes, and repairs. This lease expires in November of 2021.

We believe this facility will be adequate to meet our needs in the near future. However, we are making plans to expand our building footprint in 2018 to accommodate additional automation equipment. We intend to pay for these improvements using working capital and will amortize the costs over the remaining lease period.

The following table outlines our future contractual financial obligations associated with this lease by fiscal year in which payment is expected, as of March 31, 2018:

	2019	2020	2021	2022	Total
Payson Lease	\$ 120,000	\$ 120,000	\$ 120,000	\$ 80,000	\$ 440,000

Our executive offices are located in Scottsdale, Arizona where we lease approximately 5,000 square feet under a month-to-month triple net lease for \$3,800 per month. This space houses our principal executive, administration, and marketing functions. We may require additional space in the near future but believe that suitable additional or alternative space will be available on commercially reasonable terms to accommodate our needs. This office building is owned by a related party. See Note 10.

Total lease and rent expense for the three months ended March 31, 2018 and the year ended December 31, 2017 were \$47,400 and \$199,950, respectively. There were no lease obligations for the period October 13, 2016 (Inception) to December 31, 2016.

AMMO, INC.
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NOTE 12 – INCOME TAXES

As of March 31, 2018, we had net operating loss carryforwards of approximately \$5,893,235, which will expire beginning at the end of 2036. A valuation allowance has been provided for the deferred tax asset as it is uncertain whether the Company will have future taxable income.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act reduces the corporate tax rate to 21% effective January 1, 2018. Consequently, we have recorded an adjustment to the deferred tax provision for the year ended December 31, 2017.

Reconciliation of the benefit (expense) for income taxes with amounts determined by applying the statutory federal income rate of 21% in 2018 and 34% in 2017 and 2016 to the respective losses before income taxes as follows:

	2018	2017	2016
Net (Loss)	\$ (1,797,228)	\$ (5,788,901)	\$ (155,024)
Benefit (expense) for income taxes computed using the statutory rate of 21% and 34%	377,418	1,968,226	52,708
Non-deductible expense	(161,864)	(360,952)	(5,274)
Re-measurement of deferred income taxes due to tax reform	-	(632,683)	-
Change in valuation allowance	(215,554)	(974,591)	(47,434)
Provision for income taxes	\$ -	\$ -	\$ -

Significant components of the Company's deferred tax liabilities and assets at March 31, 2018 and 2017 are as follows:

	2018	2017	2016
Total deferred tax assets – net operating losses	\$ 1,237,579	\$ 1,022,025	\$ 47,434
Deferred tax liabilities	-	-	-
Net deferred tax assets	1,237,579	\$ 1,022,025	47,434
Valuation allowance	\$ (1,237,579)	\$ (1,022,025)	\$ (47,434)
	\$ -	\$ -	\$ -

At March 31, 2018, net operating loss ("NOL") carry forwards summary follows:

Expiring December 31,	
2036	\$ 139,512
2037	4,727,276
	4,866,788
2018 Non-Expiring NOL	1,026,447
Total NOL Carryforward	\$ 5,893,235

Tax period of 2018, 2017, and 2016 remain subject to Internal Revenue Service audit.

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NOTE 13 – INTANGIBLE ASSETS

Intangible assets consist of the following:

	<u>Life</u>	<u>March 31, 2018</u>	
		<u>Licenses</u>	<u>Patent</u>
Licensing Agreement – Jesse James	5	\$ 125,000	\$ -
Licensing Agreement – Jeff Rann	5	125,000	-
Patent	11.2	-	950,000
		<u>250,000</u>	<u>950,000</u>
Accumulated amortization – Licensing Agreements		(58,333)	-
Accumulated amortization – Patents		-	(49,627)
		<u>\$ 191,667</u>	<u>\$ 900,373</u>

	<u>Life</u>	<u>December 31, 2017</u>	
		<u>Licenses</u>	<u>Patent</u>
Licensing Agreement – Jesse James	5	\$ 125,000	\$ -
Licensing Agreement – Jeff Rann	5	125,000	-
Patent	11.2	-	950,000
		<u>250,000</u>	<u>950,000</u>
Accumulated amortization – Licensing Agreements		(45,833)	-
Accumulated amortization – Patents		-	(25,166)
		<u>\$ 204,167</u>	<u>\$ 924,834</u>

Amortization expense for the three-month period ended March 31, 2018 is \$36,961 and \$70,999 for the year ended December 31, 2017.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent to March 31, 2018, we sold an additional 1,967,886 shares of common stock for \$3,247,030 and issued 236,141 common stock purchase warrants exercisable at \$1.65, 983,957 common stock purchase warrants exercisable at \$2.00.

We evaluated subsequent events through May 24, 2018, the date the financial statements were issued, and determined that there are not any other items to disclose.

AMMO, INC.
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NOTE 15 – Comparative Consolidated Financials (Unaudited)

The consolidated statement of operations and cash flows for the three-months ended March 31, 2017 follows:

Statement of Operations

	March 31, 2017 (Unaudited)
Gross Sales	\$ 653,784
Customer incentives, discounts, returns, and allowances	-
Net sales	<u>653,784</u>
Cost of Goods Sold, includes depreciation and amortization of \$19,421 and federal excise taxes of \$64,055 for the three months ended March 31, 2017	<u>474,890</u>
Gross Margin	178,894
Operating Expenses	
Selling and marketing	116,833
Corporate general and administrative	578,402
Employee salaries and related expenses	167,987
Depreciation expense	379
Total operating expenses	<u>863,601</u>
Loss from Operations	(684,707)
Other Income (Expenses)	
Loss on vendor notes receivable collectability	(1,414,921)
Interest expense	<u>(421,180)</u>
Profit (Loss) before Income Taxes	(2,520,808)
Provision for Income Taxes	-
Net Profit (Loss)	<u>\$ (2,520,808)</u>
Loss per share	
Basic and fully diluted:	
Weighted average number of shares outstanding	17,118,431
Loss per share	<u>\$ (0.15)</u>

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Statement of Cash Flows

	March 31, 2017 (Unaudited)
Cash flows from operating activities:	
Net (Loss)	\$ (2,520,808)
Adjustments to reconcile Net (Loss) to Net Cash provided by operations:	
Debt discount amortization	356,250
Depreciation and amortization	11,343
Common stock issued for legal fees	124,000
Uncollectible vendor notes receivable	1,414,921
Changes in Current Assets and Liabilities	
Vendor advances receivable	186,486
Accounts receivable	4,546
Other receivables	(2,465)
Inventories	(765,320)
Prepaid expenses	9,927
Accounts payable	252,984
Accounts payable	66,383
Accrued liabilities	86,785
Net cash used in operating activities	<u>(766,511)</u>
Cash flows from investing activities	
Purchase of equipment	(36,017)
Net cash used in investing activities	<u>(36,017)</u>
Cash flow from financing activities	
Note payment - related party	(362,000)
Insurance premium note payments	(79,328)
Sale of common stock	1,350,875
Organization and fundraising costs	(17,000)
Net cash provided by financing activities	<u>892,547</u>
Net increase in cash	90,019
Cash, beginning of period	10,116
Cash, end of period	<u>\$ 100,135</u>
Supplemental cash flow disclosures	
Cash paid during the period for -	
Interest	\$ 1,297
Income taxes	<u>\$ -</u>

AMMO, INC.
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(Continued)

	March 31, 2017 <u>(Unaudited)</u>
Non-cash investing and financing activities:	
Vendor note receivable foreclosure -	
Vendor notes receivable	\$ 1,170,079
Vendor advances receivable	(96,552)
Accounts receivable	(20,965)
Inventories	(509,447)
Equipment	(543,115)
Other receivables	(20,811)
Accounts payable	20,811
Insurance premium note payable	180,761
Prepaid expenses	(180,761)
Common stock	601
Additional paid-in-capital	(601)
	<u>\$ -</u>

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

None

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The table below lists the current executive officers and directors of our company. All executive officers serve at the discretion of the Board of Directors. The term of office of each of our directors expire at our next annual meeting of stockholders or until their successors are duly elected and qualified.

Name	Age	Position
Fred W. Wagenhals 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	75	Chairman of the Board, Chief Executive Officer and President
Ron Shostack 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	61	Chief Financial Officer
Steve Hilko 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	61	Chief Operating Officer
Kathleen C. Hanrahan 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	54	President – Global Tactical Defense Division; Director
Christopher Besing 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	57	Director
Randy Luth 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	63	Director
Harry S. Markley 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	55	Director
Russell William Wallace, Jr. 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	61	Director

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

Ron Shostack has been the Chief Financial Officer of our company since March 2017. Mr. Shostack was the Chief Financial Officer of AQ Live, LLC , an e-commerce facilitator, from January 2016 through August 2016 and was a financial consultant to that company from February 2015 through December 2015.

Steve Hilko has been the Chief Operating Officer of our company since March 2017. Mr. Hilko was Vice President of Development and Logistics for Action International Marketing, a sports and entertainment license product company from May, 2014 until December, 2016; a principal of the Concept Consortium, an international consulting firm from May, 2008 until May 2014, and Vice President of Design and Production of Lionel, a consumer goods company, from May of 2006 until May, 2008; and Vice President of Research, Development and Operations of Action Performance Companies, Inc. from August, 1998 until May of 2006.

Kathleen C Hanrahan has been a director of our company since November 2017. In January, Ms. Hanrahan also became the President of our Global Tactical Defense Division whose responsibility it is to develop the law enforcement, US Military and international markets for our products. Prior to joining our company. Ms. Hanrahan was the CEO of New Horizons Management Consulting Inc., or NHMCI, which she founded in 2010. Under NHMCI, Ms. Hanrahan served a number of clients, both in both the public and private sectors. Among the higher profile clients served was LifeLock, Inc. where she served as interim CFO. Hanrahan also served as a board member and interim CFO for Guardian 8 Holdings, a public company that developed a hand held non-lethal device utilizing a layered defense approach to personal self-defense. Prior to starting her company (1996 to 2010), Ms. Hanrahan was employed by TASER International, Inc. (now Axon Enterprise, Inc.), a supplier of non-lethal weapons for use in the law enforcement, military, security and personal defense markets. At TASER, Hanrahan served in a number of key executive positions. These included, in order from her hire: Controller (1996 – 2000), Chief Financial Officer (2000 – 2004), taking the Company public on the NASDAQ stock exchange in 2001, Chief Operations Officer (2003 – 2006) and President and Chief Operating Officer (2006 – 2008). Her last position with the organization was as the Chief Executive Officer and Co-Chairperson for the TASER Foundation for Fallen Officers (2008 – 2010). The Foundation was an independent 501.c.3 created by TASER to support the families of officers killed in the line of duty.

Christopher S. Besing has been a director of our company since April 2018. Mr. Besing has been since January 2005 the principal owner and managing member of TLB Construction, LLC, a commercial landscape construction company. Mr. Besing was a partner in Fairway Productions, LLC, a business acceleration services firm, from October 2003 to January 2005; Chief Financial Officer of ITAX Group, Inc., a tax credit automation and software company, from September 2001 to October 2003; and a founder and Chief Executive Officer of IZOOM.com.Inc., an Internet portal serving the automotive community, from December 1999 to September 2001. Mr. Besing served as a Vice President and the Chief Financial Officer of Action Performance Companies, Inc. from January 1994 to December 1999, as Treasurer of that company from February 1996 to December 1999, and as a director of that company from May 1995 to December 1999. Prior to joining Action Performance Companies Inc., Mr. Besing held several financial and accounting positions with Orbital Sciences Corporation, or OSC, from September 1986 to December 1993, most recently as Director of Accounting and Controller of OSC's Launch Systems Group in Chandler, Arizona. Prior to joining OSC, Mr. Besing was employed as an accountant with Arthur Andersen LLP from January 1985 to August 1986.

Randy Luth has been a director of our company since November 2017. Mr. Luth founded and 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.

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

Russell William "Rusty" Wallace, Jr. has been a director of our company since June 2017. Mr. Wallace is the principal shareholder of the Rusty Wallace Automotive Group, a group of eight automotive dealerships located in Eastern Tennessee, and owns Rusty Wallace Racing, which has fielded entrees in the NASCAR Cup Series. Mr. Wallace, competed in NASCAR races for more than 16 years and had 55 victories prior to his retirement in 2005. Mr. Wallace serves as an analyst for ABC and ESPN. He is a member of the NASCAR Hall of Fame, the International Motorsports, Hall of Fame, the Motorsports Press Association Hall of Fame, and the Motorsports Hall of Fame of America.

TERM OF OFFICE

Each director serves until the next annual meeting of the stockholders or their earlier resignation or removal. The Board of Directors elects officers whose terms of office are at the discretion of the Board of Directors. Each director serves until a successor is elected and qualified.

FAMILY RELATIONSHIP

There are no family relationships between any of our directors or executive officers.

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Exchange Act requires our directors, officers, and persons that own more than 10 percent of a registered class of our company's equity securities to file reports of ownership and changes in ownership with the SEC. Directors, officers, and greater than 10 percent stockholders are required by SEC regulations to furnish our company with copies of all Section 16(a) forms they file.

Based solely upon our review of the copies of such forms received by us for three months ended March 31, 2018 and the year ended December 31, 2017 and written representations that no other reports were required, we believe that each person who, at any time during such periods, was a director, officer, or beneficial owner of more than 10 percent of our Common Stock complied with all Section 16(a) filing requirements for such periods in certain cases, by filing late reports on Form 5.

CORPORATE GOVERNANCE

Director Independence

Our Board of Directors has determined, after considering all the relevant facts and circumstances, that Christopher S. Besing, Randy Luth, Harry S. Markley, and Russell W. Wallace Jr. are independent directors, as "independence" is defined by the listing standards of the Nasdaq Stock Exchange, or Nasdaq, and by the Securities and Exchange Commission, or SEC, because they have no relationship with us that would interfere with their exercise of independent judgment in carrying out their responsibilities as a director. Fred Wagenhals and Kathleen C. Hanrahan, are not "independent" as defined by the listing standards, as they are employed by us and serve as employee directors.

Board Committees

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

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

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

The Audit Committee

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

The Audit Committee currently consists of all non-employee directors. Christopher Besing, whose background is detailed in the director biographies on the prior page, qualifies as the “audit committee financial expert” in accordance with applicable rules and regulations of the SEC. Mr. Besing serves as Chair of the Audit Committee.

The Compensation Committee

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

The Compensation Committee currently consists of all non-employee directors.

The Nominations and Corporate Governance Committee

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

The Nominations and Corporate Governance Committee will consider persons recommended by stockholders for inclusion as nominees for election to our Board of Directors if the information required by our bylaws is submitted in writing in a timely manner addressed and delivered to our Secretary at the address of our executive offices. The Nominations and Corporate Governance Committee identifies and evaluates nominees for our Board of Directors, including nominees recommended by stockholders, based on numerous factors it considers appropriate, some of which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity, and the extent to which the nominee would fill a present need on our Board of Directors.

The Nomination and Corporate Governance Committee currently consists of all non-employee directors.

Executive Sessions

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

Risk Assessment of Compensation Policies and Practices

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

Board's Role in Risk Oversight

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

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

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

Board Diversity

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

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

Board Leadership Structure

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

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

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

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

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

Director and Officer Hedging and Pledging

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

Stock Ownership Guidelines

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

Clawback Policy

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

Board and Committee Meetings

Our Board of Directors held no formal Committee or regular Board of Directors meetings during the three months ended March 31, 2018. Our Board of Directors held one meeting during the year ended December 31, 2017.

Annual Meeting Attendance

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

Communications with Directors

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

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth, for the three months ended March 31, 2018 and the years ended December 31, 2017 and 2016, information with respect to compensation for services in all capacities to us and our subsidiaries earned by our principal executive officer, our principal financial officer, and our other executive officers who were serving as executive officers on March 31, 2018. We refer to these executive officers as our "named executive officers."

Name and Principal Position	Year (1)	Salary (2)	Bonus (1)	Option Awards (3)	All Other Compensation (4)	Total
Fred W. Wagenhals	2018	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 30,000
President, Chief Executive Officer, and Director	2017	\$ 140,000	\$ 0	\$ 0	\$ 0	\$ 140,000
	2016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Steve Hilko (4)	2018	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 30,000
Chief Operating Officer	2017	\$ 108,350	\$ 0	\$ 0	\$ 0	\$ 108,350
Ron Shostack (5)	2018	\$ 19,500	\$ 0	\$ 0	\$ 0	\$ 19,500
Chief Financial Officer	2017	\$ 71,500	\$ 0	\$ 0	\$ 0	\$ 71,500

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

(2) The amounts in this column reflect the aggregate grant date fair value of options awards granted to our 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 Transition Report on Form 10-K for the transition period ended December 31, 2017. The amounts reported in this column reflect our accounting expense for these awards and do not correspond to the actual economic value that may be received by our named executive officers from their option awards.

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

(4) Mr. Hilko assumed his position in March 2017.

(5) Mr. Shostack assumed his position in March 2017.

Director Compensation

We do not currently pay cash compensation for services of our directors. Instead we make an annual grant to each director of 40,000 shares of our Common Stock.

We reimburse all officers and directors for reasonable and necessary expenses incurred in their capacities as such.

Outstanding Equity Awards at Fiscal Year-end

As of March 31, 2018 and December 31, 2017, there were no outstanding stock options or restricted stock units. During the two years December 31, 2017 and the three months ended March 31, 2018, we did not grant any restricted stock units or stock options but granted restricted stock to directors, officers, and others who provided services to our company.

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

As of May 10, 2018, there are a total of 30,336,906 shares of our Common Stock outstanding, our only class of voting securities currently outstanding. The following table describes the ownership of our voting securities by: (i) each of our officers and directors; (ii) all of our officers and directors as a group; and (iii) each shareholder known to us to own beneficially more than 5% of our common stock. All ownership is direct, unless otherwise stated.

Name and Address of Beneficial Owner, Directors and Officers:	Amount and Nature of Beneficial Ownership	Percentage of Beneficial Ownership (1)
Fred W. Wagenhals 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	7,807,000	25.7%
Ron Shostack 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	125,000	0.41%
Steve Hilko 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	250,000	0.82%
Kathleen Hanrahan 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	100,000	0.33%
Christopher S. Besing 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	0	0%
Randy Luth 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	275,000	0.91%
Harry S. Marklay 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	0	0%
Russell William Wallace, Jr 6401 E. Thomas Road, #106 Scottsdale, AZ 85251	300,000	0.99%
All executive officers and directors as a group (five people) Beneficial Shareholders greater than 5%	8,857,000	29.2%

(1) Officer and director.

Changes in Control

Our principal stockholder owns 7,807,000 shares, or 25.7% of our outstanding common stock. The principal stockholder serves as an officer and director. They exercise significance influence over the control of our Company and may be able to cause or prevent a change in control.

Equity Incentive Plan

In November 2017, the Board of Directors approved the 2017 Equity Incentive Plan, or the Plan. Under the Plan, 485,000 shares of our company's Common stock was 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. There are 85,000 shares remaining to be issued under the plan.

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

On December 16, 2016, we and Mansfield LLC, a company owned by our CEO, Fred Wagenhals, or Mansfield, as an affiliated party, entered into a note purchase and sale agreement to purchase a promissory note held by Mansfield, and payable by ATAC. We purchased the promissory note for \$1,035,000. The Managing Member of Mansfield, Tod Wagenhals, is related to our CEO. The \$1,035,000 was payable on or before the closing date of the note purchase and sale agreement. As of December 31, 2017, the note had been paid in full.

On March 17, we purchased for 17,285,800 shares of our Common Stock all of the outstanding shares of Common Stock of a private company, which was primarily owned by our Chairman of the Board, and Chief Executive Officer and which engaged in the ammunition business upon which our business is based.

Our executive offices are located in Scottsdale, Arizona where we lease approximately 5,000 square feet under a month-to-month triple net lease for \$3,800 per month. This space houses our principal executive, administration, and marketing functions. We may require additional space in the near future but believe that suitable additional or alternative space will be available on commercially reasonable terms to accommodate our needs. Our Chief Executive Officer owns the building in which our executive offices are leased.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth fees billed by our principal accounting firm of KWCO, PC in the three months ended March 31, 2018 and the years ended December 31, 2017 and 2016:

	2018	2017	2016
Audit Fees	\$ 99,255	\$ 100,234	\$ -0-
Audit Related Fees	-0-	-0-	-0-
Tax Fees	-0-	-0-	-0-
All Other Fees	-0-	-0-	-0-
Total Fees	<u>\$ 99,255</u>	<u>\$ 100,234</u>	<u>\$ -0-</u>

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

Audit Committee Pre-Approval Policies

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

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

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

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

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

Exhibit Number	Exhibit
2.1	Agreement and Plan of Merger to Redomicile dated December 30, 2016 changing our state of incorporation from California to Delaware (1)
2.2	Articles of Merger dated December 30, 2016 filed with the California Secretary of State (1)
2.3	Certificate of Merger dated December 21, 2016 filed with the California Secretary of State (1)
2.4	Share Exchange Agreement dated March 17, 2017 among us, our then controlling stockholders, and a privately-owned Delaware corporation and its stockholders (2)
3.1(a)	Articles of Incorporation filed with the Delaware Secretary of State on December 28, 2016
3.2	Bylaws (1)
4.1	Form of Warrant dated January 25, 2017
4.2	Form of Warrant dated January 3, 2018
4.3	Form of Purchase Warrant with Paulson Investment Company, LLC dated April 20, 2018
10.1	License Agreement with Jesse James
10.2	License Agreement with Jeff Rann
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Fred W. Wagenhals.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Ron Shostack.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Fred W. Wagenhals.
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Ron Shostack.

- (1) Incorporated by reference to the Form 8-K Report filed with the SEC on February 9, 2017
- (2) Incorporated by reference to the Form 8-K Report filed with the SEC on March 23, 2017

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMMO, INC.

/s/ Fred W. Wagenhals

By: Fred W. Wagenhals, Chief Executive Officer

Dated: May 24, 2018

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

AMMO, INC.

/s/ Ron Shostack

By: Ron Shostack, Chief Financial Officer

Dated: May 24, 2018

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

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Fred Wagenhals</u> Fred Wagenhals	Chief Executive Officer, Director	May 24, 2018
<u>/s/ Kathleen Hanrahan</u> Kathleen Hanrahan	President, Global Tactical Defense Division, Director	May 24, 2018
<u>/s/ Rusty Wallace Jr.</u> Rusty Wallace	Director	May 24, 2018
<u>/s/ Randy Luth</u> Randy Luth	Director	May 24, 2018
<u>/s/ Harry Markley</u> Harry Markley	Director	May 24, 2018
<u>Christopher Besing</u>	Director	May 24, 2018

Delaware

Page 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "AMMO, INC." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE THIRTEENTH DAY OF OCTOBER, A.D. 2016, AT 2:40 O`CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE TWENTY-EIGHTH DAY OF DECEMBER, A.D. 2016, AT 12 O`CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE THIRTIETH DAY OF DECEMBER, A.D. 2016.

CERTIFICATE OF CORRECTION, FILED THE SIXTH DAY OF JANUARY, A.D. 2017, AT 11:57 O`CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION, "AMMO, INC.".




Jeffrey W. Bullock, Secretary of State

6181418 8100H
SR# 20182147583

Authentication: 202380108
Date: 03-23-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

Delaware

The First State

Page 2




Jeffrey W. Bullock, Secretary of State

6181418 8100H
SR# 20182147583



Authentication: 202380108
Date: 03-23-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

STATE of DELAWARE
CERTIFICATE of INCORPORATION
A STOCK CORPORATION

- **First:** The name of this Corporation is AMMO, Inc.
- **Second:** Its registered office in the State of Delaware is to be located at 113
Barksdale Professional Ctr Street, in the City of Newark
County of New Castle Zip Code 19711. The registered agent in
charge thereof is Delaware Intercorp, Inc.

Third: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

- **Fourth:** The amount of the total stock of this corporation is authorized to issue is 100,000,000 shares (number of authorized shares) with a par value of 0.0010000000 per share.
- **Fifth:** The name and mailing address of the incorporator are as follows:
Name Luke C. Zouvas, Esq.
Mailing Address 2907 Shelter Island Drive, Suite 105
San Diego, CA Zip Code 92106
- **I, The Undersigned,** for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this 13th day of October, A.D. 20 16.

BY: 
(Incorporator)

NAME: Luke C. Zouvas, Esq.
(type or print)

State of Delaware
Secretary of State
Division of Corporations
Delivered 02:40 PM 10/13/2016
FILED 02:40 PM 10/13/2016
SR 20166191853 - File Number 6181418

action on the part of the holder thereof, be converted into and become one validly issued, fully paid and nonassessable share of the Surviving Corporation's common stock, \$0.001 par value per share (the "SURVIVING CORPORATION STOCK").

(b) **PREFERRED STOCK.** Each share of RTRO's preferred stock, zero par value per share ("RTRO PREFERRED STOCK"), issued and outstanding immediately before the Effective Date of the Merger shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become one validly issued, fully paid and nonassessable share of the Surviving Corporation's preferred stock, \$0.001 par value per share (the "SURVIVING CORPORATION PREFERRED STOCK").

(c) **OTHER RIGHTS.** Any other right, by contract or otherwise, to acquire shares of RTRO Stock outstanding immediately before the Effective Date of the Merger shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become a right to acquire, upon the same terms and conditions, the number of shares of Surviving Corporation Stock that is equal to the number of shares of RTRO Stock that the right holder would have received had the right holder exercised such right in full immediately before the Effective Date of the Merger (whether or not such right was then exercisable) and the exercise price per share under each such right shall be equal to the exercise price per share thereunder immediately before the Effective Date of the Merger, unless otherwise provided in the agreement granting such right.

(d) **OTC MARKET EXCHANGE.** Our common stock is listed on the OTC Pink Sheets and will continue to be listed on the OTC Pink Sheets after the reincorporation. Following the Merger, each share of common stock of RTRO will be automatically converted into one share of common stock of PARENT Delaware. RTRO stock certificates will be deemed automatically to represent an equal number of shares of PARENT Delaware common stock. Following the reincorporation, previously outstanding RTRO California stock certificates may be delivered in effecting sales through a broker, or otherwise, of shares of PARENT Delaware stock. IT WILL NOT BE NECESSARY FOR SHAREHOLDERS TO EXCHANGE THEIR EXISTING RTRO STOCK CERTIFICATES FOR STOCK CERTIFICATES OF PARENT DELAWARE.

2.2 STOCK CERTIFICATES

After the Effective Date of the Merger, each certificate theretofore representing issued and outstanding shares of RTRO Stock will thereafter be deemed to represent the same number of shares of the same class and series of capital stock of PARENT. The holders of outstanding certificates theretofore representing RTRO Stock will not be required to surrender such certificate to RTRO or the Surviving Corporation.

2.3 EMPLOYEE BENEFIT AND COMPENSATION PLANS

At the Effective Date of the Merger, each employee benefit plan, incentive compensation plan and other similar plans to which RTRO is then a party shall be assumed by, and continue to be the plan of, the Surviving Corporation. To the extent any employee benefit plan, incentive compensation plan or other similar plan of RTRO provides for the issuance or purchase of, or otherwise relates to, RTRO Stock, after the Effective Date of the Merger such plan shall be deemed to provide for the issuance or purchase of, or otherwise relate to, Surviving Corporation Stock.

ARTICLE 3 TRANSFER AND CONVEYANCE OF ASSETS AND ASSUMPTION OF LIABILITIES

3.1 EFFECTS OF THE MERGER

At the Effective Date of the Merger, the Merger shall have the effects specified in the CCL, the DGCL and this Agreement. Without limiting the generality of the foregoing, and subject thereto, at the Effective Date of the Merger the Surviving Corporation shall possess all the rights, privileges, powers and franchises, of a public as well as a private nature, and shall be subject to all the restrictions, disabilities and duties of each of the parties to this Agreement; the rights, privileges, powers and franchises of RTRO and PARENT, and all property, real, personal and mixed, and all debts due to each of them on whatever account, shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter the property of the Surviving Corporation, as they were of the respective constituent entities, and the title to any real estate, whether by deed otherwise vested in RTRO and PARENT or either of them, shall not revert or be in any way impaired by reason of the Merger; but all rights of creditors and all liens upon any property of the parties hereto shall be preserved unimpaired, and all debts, liabilities and duties of the respective constituent entities shall thenceforth attach to the Surviving Corporation and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it.

3.2 ADDITIONAL ACTIONS

If, at any time after the Effective Date of the Merger, the Surviving Corporation shall consider or be advised that any further assignments or assurances in law or any other acts are necessary or desirable (a) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation, title to and possession of any property or right of RTRO acquired or to be acquired by reason of, or as a result of, the Merger, or (b) otherwise to carry out the purposes of this Agreement, RTRO and its proper officers and directors shall be deemed to have granted to the Surviving Corporation an irrevocable power of attorney to execute and deliver all such proper deeds, assignments and assurances in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such property or rights in the Surviving Corporation and otherwise to carry out the purposes of this Agreement. The proper officers and directors of the Surviving Corporation are fully authorized in the name of RTRO or otherwise to take any and all such action.

ARTICLE 4 APPROVAL BY STOCKHOLDERS; AMENDMENT; EFFECTIVE DATE

4.1 APPROVAL

This Agreement and the Merger contemplated hereby are subject to approval by the requisite consent of the Board of Directors and, if necessary, vote of stockholders in accordance with the CCL, specifically Title 1, Chapter 12, Sections 1200(e) and 1201(b), and the DGCL, specifically Title 8, Chapter 1, Section 252, and compliance with the requirements of law, including the securities laws of the United States. As promptly as practicable after approval of this Agreement by stockholders in accordance with applicable law, duly authorized officers of the respective parties shall make and execute Certificate of Merger and a Certificate of Merger and shall cause such documents to be filed with the Secretary of State of California and the Secretary of State of Delaware, respectively, in accordance with the laws of California and Delaware and with applicable U.S. federal securities laws. The effective date ("EFFECTIVE DATE") of the Merger shall be the date and time on and at which the Merger becomes effective under the laws of California or the date and time on and at which the Merger becomes effective under the laws of Delaware, whichever occurs later.

4.2 AMENDMENTS

The Board of Directors of RTRO may amend this Agreement at any time before the Effective Date, provided, however, the stockholders of RTRO shall not (a) alter or change the amount or kind of shares to be received in exchange for or on conversion of all or any of the shares of RTRO Stock, (b) alter or change any term of the certificate of incorporation of PARENT or (c) alter or change any of the terms and conditions of this Agreement if such alteration or change would adversely affect the holders of RTRO Stock.

ARTICLE 5 MISCELLANEOUS

5.1 TERMINATION

This Agreement may be terminated and the Merger abandoned at any time before the filing of this Agreement with the Secretary of State of California and the Secretary of State of Delaware, whether before or after stockholder approval of this Agreement, by the consent of the Boards of Directors of RTRO and PARENT.

5.2 COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be considered to be an original instrument.

5.3 DESCRIPTIVE HEADINGS

The descriptive headings are for convenience of reference only and shall not control or affect the meaning or construction of any provision of this Agreement.

5.4 GOVERNING LAW

This Agreement shall be construed in accordance with the laws of Delaware, except to the extent the laws of California shall apply to the Merger where mandated by the CCL.

IN WITNESS WHEREOF, the undersigned Officers of each of the parties to this Agreement, pursuant to authority duly given by their respective Boards of Directors, have caused this Agreement to be duly executed on the date set forth above.

RTRO:

RETROSPETTIVA, INC.
A CALIFORNIA CORPORATION

Per:

Authorized Signatory

THE PARENT:

AMMO, INC.
A DELAWARE CORPORATION

Per:

Authorized Signatory

State of Delaware
Secretary of State
Division of Corporations
Delivered 11:57 AM 01/06/2017
FILED 11:57 AM 01/06/2017
SR 20170089595 - File Number 6181418

STATE OF DELAWARE CERTIFICATE OF CORRECTION

AMMO, Inc., a
corporation organized and existing under and by virtue of the General Corporation Law of
the State of Delaware.

DOES HEREBY CERTIFY:

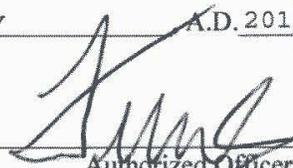
1. The name of the corporation is AMMO, Inc..
2. That a Certificate of Merger of Foreign Corp into Domestic
(Title of Certificate Being Corrected)
was filed by the Secretary of State of Delaware on 12/28/2016
and that said Certificate requires correction as permitted by Section 103 of the
General Corporation Law of the State of Delaware.
3. The inaccuracy or defect of said Certificate is: (must be specific)

Article Fifth has the wrong stated authorized common stock of the Foreign corporation.

4. Article Fifth of the Certificate is corrected to read as follows:

15,000,000 Common Stock, no par value; 1,000,000 Preferred Stock, no par value.
--

IN WITNESS WHEREOF, said corporation has caused this Certificate of Correction
this 6th day of January A.D. 2017 .

By: 
Authorized Officer
Name: Fred W. Wagenhals
Print or Type
Title: CEO/ Secretary

Warrant

Warrant No. 2017

AMMO, INC.
(a Delaware Corporation)

Warrant for the Purchase of 1,000 Shares of Common Stock, Par Value \$0.001

[This Warrant Will Be Void After 5:00 P.M. Pacific Time on January 25, 2019]

These securities have not been registered with the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Securities Act”), and are being offered in reliance on exemptions from registration provided in Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder and preemption from the registration or qualification requirements (other than notice filing and fee provisions) of applicable state laws under the National Securities Markets Improvement Act of 1996.

THIS WARRANT (this “Warrant”) dated January 25, 2017 (the “Effective Date”) certifies that, for value received, _____, or registered assigns (the “Holder” or “Holders”), is entitled, at any time on or before 5:00 p.m. Pacific Time on January 25, 2017, to subscribe for, purchase, and receive 1,000 shares (the “Shares”) of fully paid and non-assessable common stock, par value \$0.001 (the “Common Stock”) of AMMO, Inc., a Delaware corporation (the “Company”), at a price of \$2.50 per share (the “Exercise Price”). The number of Shares to be received on exercise of this Warrant and the Exercise Price may be adjusted on the occurrence of certain events as described herein. If the rights represented hereby are not exercised by 5:00 p.m. Pacific Time on January 25, 2019 (the “Termination Date”), this Warrant shall automatically become void and of no further force or effect, and all rights represented hereby shall cease and expire.

Subject to the terms set forth herein, this Warrant may be assigned by the Holder in whole or in part by execution of the form of assignment attached hereto or may be exercised by the Holder in whole or in part by execution of the form of exercise attached hereto and payment of the Exercise Price in the manner described above, all subject to the terms hereof.

1. Exercise of Warrants. The Holder shall have the rights of a stockholder only with respect to Shares fully paid for by the Holder under this Warrant. On the exercise of all or any portion of this Warrant in the manner provided above, the Holder exercising the same shall be deemed to have become a Holder of record of the Shares as to which this Warrant is exercised for all purposes, and certificates for the securities so purchased shall be delivered to the Holder within a reasonable time, but in no event longer than five business days after this Warrant shall have been exercised as set forth above. If this Warrant shall be exercised in respect to only a part of the Shares covered hereby, the Holder shall be entitled to receive a similar Warrant of like tenor and date covering the number of Shares with respect to which this Warrant shall not have been exercised. No fractional shares will be issued upon the exercise of a Warrant. If the holder of a Warrant would be entitled to receive a fraction of a share upon any exercise of a Warrant, the Company shall, upon such exercise, round down to the nearest whole number the number of shares to be issued to such holder.

2. Assignment of Warrants. In the event this Warrant is assigned in the manner provided herein, the Company, upon request and upon surrender of this Warrant by the Holder at the principal office of the Company accompanied by payment of all transfer taxes, if any, payable in connection therewith, shall transfer this Warrant on the books of the Company. If the assignment is in whole, the Company shall execute and deliver a new Warrant or Warrants of like tenor to this Warrant to the appropriate assignee expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder; and if the assignment is in part, the Company shall execute and deliver to the appropriate assignee a new Warrant or Warrants of like tenor expressly evidencing the right to purchase the portion of the aggregate number of Shares as shall be contemplated by any such agreement, and shall concurrently execute and deliver to the Holder a new Warrant of like tenor to this Warrant evidencing the right to purchase the remaining portion of the Shares purchasable hereunder that have not been transferred to the assignee.

3. Fully Paid Shares. The Company covenants and agrees that the Shares that may be issued on the exercise of this Warrant will, on issuance pursuant to the terms of this Warrant, be fully paid and non-assessable, free from all taxes, liens, and charges with respect to the issue thereof, and not issued in violation of the preemptive or similar right of any other person. The Company further covenants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will have authorized and reserved a sufficient number of Shares of Common Stock to provide for the exercise of the rights represented by this Warrant.

4. Adjustment of Exercise Price and Number of Shares.

(a) Adjustment of Exercise Price and Number of Shares. The number of Shares purchasable on the exercise of this Warrant and the Exercise Price shall be adjusted appropriately from time to time as follows:

(i) In the event the Company shall declare a dividend or make any other distribution on any capital stock of the Company payable in Common Stock, rights to purchase Common Stock, or securities convertible into Common Stock, or shall subdivide its outstanding shares of Common Stock into a greater number of shares or combine such outstanding stock into a smaller number of shares, then in each such event, the number of Shares subject to this Warrant shall be adjusted so that the Holder shall be entitled to purchase the kind and number of Shares of Common Stock or other securities of the Company that it would have owned or have been entitled to receive after the happening of any of the events described above, had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto; an adjustment made pursuant to this subsection (a) shall become effective immediately after the effective date of such event retroactive to the record date for such event.

(ii) No adjustment in the number of Shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least 1% in the number of Shares purchasable on the exercise of this Warrant; *provided, however*, that any adjustments that by reason of this subsection (a) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(iii) Whenever the number of Shares purchasable on the exercise of this Warrant is adjusted, as herein provided, the Exercise Price payable on exercise shall be adjusted by multiplying the Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of Shares purchasable on the exercise of this Warrant immediately prior to such adjustment and the denominator of which shall be the number of Shares so purchasable immediately thereafter.

(iv) Whenever the number of Shares purchasable on the exercise of this Warrant or the Exercise Price of such Shares is adjusted, as herein provided, the Company shall cause to be promptly mailed by first class mail, postage prepaid, to the Holder of this Warrant notice of such adjustment or adjustments and shall deliver a resolution of the board of directors of the Company setting forth the number of Shares purchasable on the exercise of this Warrant and the Exercise Price of such Shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment, together with the computation by which such adjustment was made. Such resolution, in the absence of manifest error, shall be conclusive evidence of the correctness of adjustment.

(v) All such adjustments shall be made by the board of directors of the Company, which shall be binding on the Holder in the absence of demonstrable error.

(b) No Adjustment in Certain Cases. No adjustments shall be made in connection with:

- (i) the issuance of any Shares on the exercise of this Warrant;
- (ii) the conversion of shares of Preferred Stock;
- (iii) the exercise or conversion of any rights, options, warrants, or convertible securities containing the right to purchase or acquire Common Stock;

(iv) the issuance of additional Shares or other securities on account of the anti-dilution provisions contained in or relating to this Warrant or any other option, warrant, or right to acquire Common Stock;

(v) the purchase or other acquisition by the Company of any shares of Common Stock, evidences of its indebtedness or assets, or rights, options, warrants, or convertible securities containing the right to subscribe for or purchase Common Stock; or

(vi) the sale or issuance by the Company of any shares of Common Stock, evidences of its indebtedness or assets, or rights, options, warrants, or convertible securities containing the right to subscribe for or purchase Common Stock or other securities pursuant to options, warrants, or other rights to acquire Common Stock or other securities.

5. Notice of Certain Events. In the event of:

(a) any taking by the Company of a record of the holders of any class of securities of the Company for the purpose of determining the holders thereof who are entitled to receive any dividends or other distribution, or any right to subscribe for, purchase, or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other rights;

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, or any transfer of all or substantially all of the assets of the Company to any other person, or any consolidation, share exchange, or merger involving the Company; or

(c) any voluntary or involuntary dissolution, liquidation, or winding up of the Company,

the Company will mail to the Holder(s) of this Warrant, at least 20 days prior to the earliest date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution, or right; the amount and character of such dividend, distribution, or right; or the date on which any such reorganization, reclassification, transfer, consolidation, share exchange, merger, dissolution, liquidation, or winding up of the Company will occur and the terms and conditions of such transaction or event.

6. Limitation of Transfer. Subject to the restrictions set forth in this Section 6 and Section 7 hereof, this Warrant is transferable at the offices of the Company. On such transfer, every Holder hereof agrees that the Company may deem and treat the registered Holder(s) of this Warrant as the true and lawful owner(s) thereof for all purposes, and the Company shall not be affected by any notice to the contrary.

7. Disposition of Warrants or Shares. Each registered owner of this Warrant, by acceptance hereof, agrees for itself and any subsequent owner(s) that, before any disposition is made of any Warrants or Shares of Common Stock, the owner(s) shall give written notice to the Company describing briefly the manner of any such proposed disposition. No such disposition shall be made unless and until:

(a) the Company has received written assurances from the proposed transferee confirming a factual basis for relying on exemptions from registration under applicable federal and state securities laws for such transfer or an opinion from counsel for the Holder(s) of the Warrants or Shares stating that no registration under the Securities Act or applicable state statute is required with respect to such disposition; or

(b) a registration statement under the Securities Act has been filed by the Company and declared effective by the SEC covering such proposed disposition and the disposition has been registered or qualified, or is exempt therefrom, under the state having jurisdiction over such disposition.

8. Restricted Securities: Registration of Securities. The Holder acknowledges that this Warrant is, and that the Shares issuable on exercise hereof will be, "restricted securities" as that term is defined in Rule 144 promulgated under the Securities Act. Accordingly, this Warrant must be taken for investment and held indefinitely. Likewise, any Shares issued on exercise of this Warrant must be taken for investment and held indefinitely and may not be resold unless such resale is registered under the Securities Act and/or comparable state securities laws or unless an exemption from such registration is available. A legend to the foregoing effect shall be placed conspicuously on the face of all certificates for Shares issuable on exercise of this Warrant.

9. Governing Law. This Warrant shall be construed under and be governed by the laws of the state of Delaware.

10. Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Subscription Agreement.

11. Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

12. Remedies. Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

13. Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of all Holders of this Warrant from the Initial Exercise Date through the Termination Date, and shall be enforceable by any such Holder or holder of Shares.

14. Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

15. Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

16. Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

17. Loss, Theft, Destruction, or Mutilation. Upon receipt by the Company of reasonable evidence of the ownership of and the loss, theft, destruction, or mutilation of this Warrant, the Company will execute and deliver, in lieu thereof, a new Warrant of like tenor.

DATED this _____ day of _____, 2017.

AMMO, INC.

By: _____
Fred Wagenhals, CEO

NOTICE OF EXERCISE
(to be signed only upon exercise of Warrant)

TO: AMMO, INC.
6401 East Thomas Rd
Scottsdale, AZ 852551
Tel:
Email: fred@ammo-inc.com

The undersigned, the owner of the attached Warrant, hereby irrevocable elects to exercise the purchase rights represented by the Warrant for, and to purchase thereunder, _____ shares of Common Stock of AMMO, Inc., and herewith makes payment of \$_____ therefore, please issue the shares of Common Stock as to which this Warrant is exercised in accordance with the instructions set forth below and, if the Warrant is being exercised with respect to less than all of the Shares to which it pertains, prepare and deliver a new Warrant of like tenor for the balance of the Shares purchasable under the attached Warrant.

DATED this _____ day of _____ 20_____.

Signature: _____

Signature Guaranteed: _____

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name: _____

(Please Type or Print Address:

NOTICE: The signature to the form of purchase must correspond with the name as written upon the face of the attached Warrant in every particular without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to:

Name:

(Please Print)

Address:

(Please Print)

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

Warrant

Warrant No. 2018-

(a Delaware Limited Liability Corporation)

Warrant for the Purchase of 60,606 Shares of Common Stock, Par Value \$0.001

[This Warrant Will Be Void After 5:00 P.M. Pacific Time on January 3, 2023]

These securities have not been registered with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), and are being offered in reliance on exemptions from registration provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder and preemption from the registration or qualification requirements (other than notice filing and fee provisions) of applicable state laws under the National Securities Markets Improvement Act of 1996.

THIS WARRANT (this "Warrant") dated **January 3, 2018** (the "Effective Date") certifies that, for value received, _____, or registered assigns (the "Holder" or "Holders"), is entitled, at any time on or before 5:00 p.m. Pacific Standard Time on **January 3, 2018**, to subscribe for, purchase, and receive **60,606** shares (the "Shares") of fully paid and non-assessable common stock, par value \$0.001 (the "Common Stock") of AMMO, Inc., a Delaware corporation (the "Company"). Every one (1) Warrant is exercisable to purchase one (1) share of Common Stock at a price of **\$2.00** per share (the "Exercise Price"). The number of Shares to be received on exercise of this Warrant and the Exercise Price may be adjusted on the occurrence of certain events as described herein. If the rights represented hereby are not exercised by 5:00 p.m. Pacific Standard Time on **January 3, 2023** (the "Termination Date"), this Warrant shall automatically become void and of no further force or effect, and all rights represented hereby shall cease and expire.

Subject to the terms set forth herein, this Warrant may be assigned by the Holder in whole or in part by execution of the form of assignment attached hereto or may be exercised by the Holder in whole or in part by execution of the form of exercise attached hereto and payment of the Exercise Price in the manner described above, all subject to the terms hereof.

1. Exercise of Warrants. The Holder shall have the rights of a stockholder only with respect to Shares fully paid for by the Holder under this Warrant. On the exercise of all or any portion of this Warrant in the manner provided above, the Holder exercising the same shall be deemed to have become a Holder of record of the Shares as to which this Warrant is exercised for all purposes, and certificates for the securities so purchased shall be delivered to the Holder within a reasonable time, but in no event longer than 10 days after this Warrant shall have been exercised as set forth above. If this Warrant shall be exercised in respect to only a part of the Shares covered hereby, the Holder shall be entitled to receive a similar Warrant of like tenor and date covering the number of Shares with respect to which this Warrant shall not have been exercised. No fractional shares will be issued upon the exercise of a Warrant. If the holder of a Warrant would be entitled to receive a fraction of a share upon any exercise of a Warrant, the Company shall, upon such exercise, round down to the nearest whole number the number of shares to be issued to such holder.

2. Assignment of Warrants. In the event this Warrant is assigned in the manner provided herein, the Company, upon request and upon surrender of this Warrant by the Holder at the principal office of the Company accompanied by payment of all transfer taxes, if any, payable in connection therewith, shall transfer this Warrant on the books of the Company. If the assignment is in whole, the Company shall execute and deliver a new Warrant or Warrants of like tenor to this Warrant to the appropriate assignee expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder; and if the assignment is in part, the Company shall execute and deliver to the appropriate assignee a new Warrant or Warrants of like tenor expressly evidencing the right to purchase the portion of the aggregate number of Shares as shall be contemplated by any such agreement, and shall concurrently execute and deliver to the Holder a new Warrant of like tenor to this Warrant evidencing the right to purchase the remaining portion of the Shares purchasable hereunder that have not been transferred to the assignee.

3. Fully Paid Shares. The Company covenants and agrees that the Shares that may be issued on the exercise of this Warrant will, on issuance pursuant to the terms of this Warrant, be fully paid and non-assessable, free from all taxes, liens, and charges with respect to the issue thereof, and not issued in violation of the preemptive or similar right of any other person. The Company further covenants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will have authorized and reserved a sufficient number of Shares of Common Stock to provide for the exercise of the rights represented by this Warrant.

4. Call Provision. If the Volume Weighted Average Pricing (“VWAP”) of the Company’s common stock exceeds \$5.00 (subject to adjustment for forward and reverse stock splits, recapitalizations, stock dividends and the like as set forth in Section 5) for each of 30 consecutive Trading Days (the “Measurement Period”), then the Company may, at any time in its sole discretion, call for the exercise of this Warrant, in its entirety (“Call Right”). To exercise the Call Right, the Company must deliver to the Holder an irrevocable written notice (a “Call Notice”) indicating that the provisions of this Section of the Warrant have been satisfied, and that the Holder accordingly must exercise all, or a portion, of this Warrant prior to the Call Date, as defined below. Such Call Notice shall include language notifying Holder that failure to comply with the Call Notice shall result in the forfeit and cancellation of any unexercised Shares granted to Holder hereunder. If the conditions set forth above for such Call Notice are met and the Holder has not exercised all of the Shares exercisable under this Warrant by delivering a Notice of Exercise and payment therefor to the Company within thirty Trading Days after the date the Call Notice is received by the Holder (such date and time, the “Call Date”), then the Warrants for which a Notice of Exercise shall not have been received by the Call Date will be cancelled at 5:00 p.m. (Pacific Standard Time) on the Call Date. In furtherance thereof, the Company covenants and agrees that it will honor all Notices of Exercise with respect to the Shares subject to a Call Notice that are tendered through 5:00 p.m. (Pacific Standard Time) on the Call Date. Notwithstanding anything to the contrary set forth in this Warrant, the Company may not deliver a Call Notice or require the cancellation of this Warrant (and any such Call Notice shall be void), unless, from the beginning of the Measurement Period through the Call Date, (1) the Company shall have honored in accordance with the terms of this Warrant all Notices of Exercise delivered by 5:00 p.m. (Pacific Standard Time) on the Call Date, and (2) there is a sufficient number of authorized shares of Common Stock for issuance of all Shares under this Warrant, and (3) the issuance of the Shares shall not cause a breach of any provision of this Warrant.

5. Adjustment of Exercise Price and Number of Shares.

(a) Adjustment of Exercise Price and Number of Shares. The number of Shares purchasable on the exercise of this Warrant and the Exercise Price shall be adjusted appropriately from time to time as follows:

(i) In the event the Company shall declare a dividend or make any other distribution on any capital stock of the Company payable in Common Stock, rights to purchase Common Stock, or securities convertible into Common Stock, or shall subdivide its outstanding shares of Common Stock into a greater number of shares or combine such outstanding stock into a smaller number of shares, then in each such event, the number of Shares subject to this Warrant shall be adjusted so that the Holder shall be entitled to purchase the kind and number of Shares of Common Stock or other securities of the Company that it would have owned or have been entitled to receive after the happening of any of the events described above, had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto; an adjustment made pursuant to this subsection (a) shall become effective immediately after the effective date of such event retroactive to the record date for such event.

(ii) No adjustment in the number of Shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least 1% in the number of Shares purchasable on the exercise of this Warrant; *provided, however*, that any adjustments that by reason of this subsection (a) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(iii) Whenever the number of Shares purchasable on the exercise of this Warrant is adjusted, as herein provided, the Exercise Price payable on exercise shall be adjusted by multiplying the Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of Shares purchasable on the exercise of this Warrant immediately prior to such adjustment and the denominator of which shall be the number of Shares so purchasable immediately thereafter.

(iv) Whenever the number of Shares purchasable on the exercise of this Warrant or the Exercise Price of such Shares is adjusted, as herein provided, the Company shall cause to be promptly mailed by first class mail, postage prepaid, to the Holder of this Warrant notice of such adjustment or adjustments and shall deliver a resolution of the board of directors of the Company setting forth the number of Shares purchasable on the exercise of this Warrant and the Exercise Price of such Shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment, together with the computation by which such adjustment was made. Such resolution, in the absence of manifest error, shall be conclusive evidence of the correctness of adjustment.

(v) All such adjustments shall be made by the board of directors of the Company, which shall be binding on the Holder in the absence of demonstrable error.

(b) No Adjustment in Certain Cases. No adjustments shall be made in connection with:

(i) the issuance of any Shares on the exercise of this Warrant;

(ii) the conversion of shares of Preferred Stock;

(iii) the exercise or conversion of any rights, options, warrants, or convertible securities containing the right to purchase or acquire Common Stock;

(iv) the issuance of additional Shares or other securities on account of the anti-dilution provisions contained in or relating to this Warrant or any other option, warrant, or right to acquire Common Stock;

(v) the purchase or other acquisition by the Company of any shares of Common Stock, evidences of its indebtedness or assets, or rights, options, warrants, or convertible securities containing the right to subscribe for or purchase Common Stock; or

(vi) the sale or issuance by the Company of any shares of Common Stock, evidences of its indebtedness or assets, or rights, options, warrants, or convertible securities containing the right to subscribe for or purchase Common Stock or other securities pursuant to options, warrants, or other rights to acquire Common Stock or other securities.

6. Notice of Certain Events. In the event of:

(a) any taking by the Company of a record of the holders of any class of securities of the Company for the purpose of determining the holders thereof who are entitled to receive any dividends or other distribution, or any right to subscribe for, purchase, or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other rights;

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, or any transfer of all or substantially all of the assets of the Company to any other person, or any consolidation, share exchange, or merger involving the Company; or

(c) any voluntary or involuntary dissolution, liquidation, or winding up of the Company,

the Company will mail to the Holder(s) of this Warrant, at least 20 days prior to the earliest date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution, or right; the amount and character of such dividend, distribution, or right; or the date on which any such reorganization, reclassification, transfer, consolidation, share exchange, merger, dissolution, liquidation, or winding up of the Company will occur and the terms and conditions of such transaction or event.

7. Limitation of Transfer. Subject to the restrictions set forth in paragraph 7 hereof, this Warrant is transferable at the offices of the Company. On such transfer, every Holder hereof agrees that the Company may deem and treat the registered Holder(s) of this Warrant as the true and lawful owner(s) thereof for all purposes, and the Company shall not be affected by any notice to the contrary.
8. Disposition of Warrants or Shares. Each registered owner of this Warrant, by acceptance hereof, agrees for itself and any subsequent owner(s) that, before any disposition is made of any Warrants or Shares of Common Stock, the owner(s) shall give written notice to the Company describing briefly the manner of any such proposed disposition. No such disposition shall be made unless and until:
- (a) the Company has received written assurances from the proposed transferee confirming a factual basis for relying on exemptions from registration under applicable federal and state securities laws for such transfer or an opinion from counsel for the Holder(s) of the Warrants or Shares stating that no registration under the Securities Act or applicable state statute is required with respect to such disposition; or
- (b) a registration statement under the Securities Act has been filed by the Company and declared effective by the SEC covering such proposed disposition and the disposition has been registered or qualified, or is exempt therefrom, under the state having jurisdiction over such disposition.
9. Restricted Securities: Registration of Securities. The Holder acknowledges that this Warrant is, and that the Shares issuable on exercise hereof will be, "restricted securities" as that term is defined in Rule 144 promulgated under the Securities Act. Accordingly, this Warrant must be taken for investment and held indefinitely. Likewise, any Shares issued on exercise of this Warrant must be taken for investment and held indefinitely and may not be resold unless such resale is registered under the Securities Act and/or comparable state securities laws or unless an exemption from such registration is available. A legend to the foregoing effect shall be placed conspicuously on the face of all certificates for Shares issuable on exercise of this Warrant.
10. Governing Law. This Warrant shall be construed under and be governed by the laws of the state of Delaware.
11. Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Subscription Agreement.
12. Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.
13. Remedies. Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.
14. Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of all Holders of this Warrant from the Initial Exercise Date through the Termination Date, and shall be enforceable by any such Holder or holder of Shares.
15. Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

16. Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

17. Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

18. Loss, Theft, Destruction, or Mutilation. Upon receipt by the Company of reasonable evidence of the ownership of and the loss, theft, destruction, or mutilation of this Warrant, the Company will execute and deliver, in lieu thereof, a new Warrant of like tenor.

DATED this _____ day of _____, 2017.

AMMO, INC.

By: _____
Fred Wagenhals, CEO

NOTICE OF EXERCISE (to be signed only upon exercise of Warrant)

TO: AMMO, INC.
6401 East Thomas Rd
Scottsdale, AZ 852551
Tel:
Email: fred@ammo-inc.com

The undersigned, the owner of the attached Warrant, hereby irrevocable elects to exercise the purchase rights represented by the Warrant for, and to purchase thereunder, _____ shares of Common Stock of AMMO, Inc., and herewith makes payment of \$ _____ therefore, please issue the shares of Common Stock as to which this Warrant is exercised in accordance with the instructions set forth below and, if the Warrant is being exercised with respect to less than all of the Shares to which it pertains, prepare and deliver a new Warrant of like tenor for the balance of the Shares purchasable under the attached Warrant.

DATED this _____ day of _____ 20_____.

Signature:

Signature Guaranteed:

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name:

(Please Type or Print Address:

NOTICE: The signature to the form of purchase must correspond with the name as written upon the face of the attached Warrant in every particular without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to:

Name:

(Please Print)

Address:

(Please Print)

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

PURCHASE WARRANT

Issued to:

Paulson Investment Company, LLC

Exercisable to Purchase

147,267 Shares of Common Stock

of

Ammo, Inc.

Warrant No. C-19
Void after April 20, 2025

THE WARRANT REPRESENTED BY THIS WARRANT CERTIFICATE AND THE SHARES ISSUABLE UPON EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER JURISDICTIONS, AND, IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.

This is to certify that, for value received and subject to the terms and conditions set forth below, the Warrantholder is entitled to purchase, and the Company promises and agrees to sell and issue to the Warrantholder, at any time on or after the Initial Exercise Date and on or before the Expiration Date, up to 147,267 shares of Common Stock at the per share Exercise Price.

This Warrant Certificate is issued by the Company pursuant to Section 2(b) of the Placement Agent Agreement, subject to the following terms and conditions:

1. Definitions of Certain Terms. Except as may be otherwise clearly required by the context, the following terms have the following meanings:

- (a) "Cashless Exercise" means an exercise of a Warrant in which, in lieu of payment of the Exercise Price in cash, the Warrantholder elects to receive a lesser number of Securities in payment of the Exercise Price, as determined in accordance with Section 2(b).
 - (b) "Closing Date" means April 20, 2018, the date on which the closing under the Offering occurred.
 - (c) "Commission" means the Securities and Exchange Commission.
 - (d) "Common Stock" means the common stock, \$0.001 par value, of the Company.
 - (e) "Company" means Ammo, Inc..
 - (f) "Exercise Price" means the price at which the Warrantholder may purchase one share of Common Stock or other Securities upon exercise of a Warrant as determined from time to time pursuant to the provisions hereof, multiplied by the number of Securities as to which the Warrant is being exercised. The Exercise Price is \$1.65 per share of Common Stock.
 - (g) "Expiration Date" has the meaning set forth in Section 2(a).
 - (h) "Initial Exercise Date" has the meaning set forth in Section 2(a).
 - (i) "Offering Materials" means the transaction documents and related investment materials described in the Placement Agent Agreement.
 - (j) "Offering" means the offering of securities made pursuant to the Offering Materials and the Placement Agent Agreement.
 - (k) "Placement Agent Agreement" means that certain Placement Agent Agreement, dated as of October 27, 2017, as amended and renewed on March 21, 2018, between the Company and Paulson Investment Company, LLC.
 - (l) "Rules and Regulations" means the rules and regulations of the Commission adopted under the Securities Act.
-

(m) "Securities" means the securities obtained or obtainable upon exercise of the Warrant or securities obtained or obtainable upon exercise, exchange, or conversion of such securities.

(n) "Securities Act" means the Securities Act of 1933, as amended.

(o) "Warrant" means the warrant evidenced by this certificate, any similar certificate issued in connection with the Offering, or any certificate obtained upon transfer or partial exercise of the Warrant evidenced by any such certificate.

(p) "Warrant Certificate" means a certificate evidencing the Warrant.

(q) "Warrantholder" means a record holder of the Warrant or Securities.

2. Exercise of Warrant.

(a) All or any part of the Warrant represented by this Warrant Certificate may be exercised commencing on the Closing Date (the "Initial Exercise Date") and ending at 5:00 p.m. Pacific Time on the seven-year anniversary of the Closing Date (the "Expiration Date") by surrendering this Warrant Certificate, together with the Exercise Price and appropriate instructions, duly executed by the Warrantholder or by its duly authorized attorney, at the office of the Company, 6401 E Thomas Road, Suite 106, Scottsdale, AZ 85251; or at such other office or agency as the Company may designate. The date on which such instructions are received by the Company shall be the date of exercise. If the Warrantholder has elected a Cashless Exercise, such instructions shall so state.

(b) If at any time the Warrantholder elects a Cashless Exercise, the Warrantholder may surrender in payment of the Exercise Price, shares of Common Stock equal in value to the Exercise Price by surrender of this Warrant at the principal office of the Company together with notice of such election, in which event the Company shall issue to the Warrantholder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = The number of shares of Common Stock to be issued to the Warrantholder pursuant to this Cashless Exercise

Y = The number of shares of Common Stock in respect of which the Cashless Exercise election is made

A = The fair market value of one share of Common Stock at the time the Cashless Exercise election is made

B = The Exercise Price (as adjusted to the date of the Cashless Exercise)

For purposes of this Section 2(b), the fair market value of one share of Common Stock as of a particular date shall be determined as follows: (i) if traded on a securities exchange, the value shall be deemed to be the closing price of the Common Stock on such exchange on the day prior to the Cashless Exercise; (ii) if traded over-the-counter, the value shall be deemed to be the mean of the closing bid and ask price of the Common Stock on the day prior to the Cashless Exercise; and (iii) if there is no active public market, the value shall be the fair market value thereof, as determined in good faith by PIC and the Board of Directors of the Company.

(c) Subject to the provisions below, upon receipt of notice of exercise, the Company shall promptly prepare or cause the preparation of certificates for the Securities to be received by the Warrantholder upon completion of the Warrant exercise. After such certificates are prepared, the Company shall notify the Warrantholder and, upon payment in full by the Warrantholder, in lawful money of the United States, of the Exercise Price payable with respect to the Securities being purchased, or, in the case of a Cashless Exercise, upon deemed surrender of Securities equal in value to the Exercise Price, deliver such certificates to the Warrantholder, or as per the Warrantholder's instructions, promptly after such funds are available, if applicable, and otherwise promptly thereafter. The Securities to be obtained on exercise of the Warrant will be deemed to have been issued, and any person exercising the Warrant will be deemed to have become a holder of record of those Securities, as of the date of receipt by the Company of (a) available funds in cash in payment of the Exercise Price, or (b) notice of Cashless Exercise.

(d) If fewer than all the Securities purchasable under the Warrant are purchased, the Company will, upon such partial exercise, execute and deliver to the Warrantholder a new Warrant Certificate (dated the date hereof), in form and tenor similar to this Warrant Certificate, evidencing that portion of the Warrant not exercised.

(e) Notwithstanding the foregoing, in no event shall such Securities be issued, and the Company is authorized to refuse to honor the exercise of the Warrant, if such exercise would result in the opinion of the Company's Board of Directors, upon advice of counsel, in the violation of any law.

3. Adjustments in Certain Events. The number, class, and price of Securities for which this Warrant Certificate may be exercised are subject to adjustment from time to time upon the happening of certain events as follows:

(a) If the outstanding shares of the Company's Common Stock are divided into a greater number of shares or a dividend in stock is paid on the Common Stock, the number of shares of Common Stock for which the Warrant is then exercisable will be proportionately increased and the Exercise Price will be proportionately reduced; and, conversely, if the outstanding shares of Common Stock are combined into a smaller number of shares of Common Stock, the number of shares of Common Stock for which the Warrant is then exercisable will be proportionately reduced and the Exercise Price will be proportionately increased. The increases and reductions provided for in this Section 3(a) will be made with the intent and, as nearly as practicable, the effect that neither the percentage of the total equity of the Company obtainable on exercise of the Warrants nor the price payable for such percentage upon such exercise will be affected by any event described in this Section 3(a).

(b) In case of any change in the Common Stock through merger, consolidation, reclassification, reorganization, partial or complete liquidation, purchase of substantially all the assets of the Company, or other change in the capital structure of the Company, then, as a condition of such change, lawful and adequate provision will be made so that the Warrantholder will have the right thereafter to receive upon the exercise of the Warrant the kind and amount of shares of stock or other securities or property to which the Warrantholder would have been entitled if, immediately prior to such event, the Warrantholder had held the number of shares of Common Stock obtainable upon the exercise of the Warrant. In any such case, appropriate adjustment will be made in the application of the provisions set forth herein with respect to the rights and interest thereafter of the Warrantholder, to the end that the provisions set forth herein will thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other securities or property thereafter deliverable upon the exercise of the Warrant. The Company will not permit any change in its capital structure to occur unless the issuer of the shares of stock or other securities to be received by the holder of this Warrant Certificate, if not the Company, agrees to be bound by and comply with the provisions of this Warrant Certificate.

(c) When any adjustment is required to be made in the number of shares of Common Stock, other securities, or the property purchasable upon exercise of the Warrant, the Company will promptly determine the new number of such shares or other securities or property purchasable upon exercise of the Warrant and (i) prepare and retain on file a statement describing in reasonable detail the method used in arriving at the new number of such shares or other securities or property purchasable upon exercise of the Warrant and (ii) cause a copy of such statement to be mailed to the Warrantholder within thirty (30) days after the date of the event giving rise to the adjustment.

(d) No fractional shares of Common Stock or other Securities will be issued in connection with the exercise of the Warrant, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole number.

(e) If securities of the Company or securities of any subsidiary of the Company are distributed pro rata to holders of Common Stock, such number of securities will be distributed to the Warrantholder or its assignee upon exercise of its rights hereunder as such Warrantholder or assignee would have been entitled to if this Warrant had been exercised prior to the record date for such distribution. The provisions with respect to adjustment of the Common Stock provided in this Section 3 will also apply to the securities to which the Warrantholder or its assignee is entitled under this Section 3(e).

(f) Notwithstanding anything herein to the contrary, there will be no adjustment made hereunder on account of the sale by the Company of the Common Stock or any other Securities purchasable upon exercise of the Warrant.

4. Reservation of Securities. The Company agrees that the number of shares of Common Stock or other Securities sufficient to provide for the exercise of the Warrant upon the basis set forth above will, at all times during the term of the Warrant, be reserved for issuance.

5. Validity of Securities. All Securities delivered upon the exercise of the Warrant will be duly and validly issued in accordance with their terms and, upon payment of the Exercise Price, will be fully paid and non-assessable. The Company will pay all documentary and transfer taxes, if any, in respect of the original issuance thereof upon exercise of the Warrant.

6. Transferability.

(a) Subject to compliance with any applicable securities laws, the Warrant may be transferred to individuals who are members, a partner, officer or other representative or stakeholder of Paulson Investment Company, LLC. The Warrant may be divided or combined, upon request to the Company by the Warrantholder, into additional Warrants evidencing the same aggregate number of Warrants. Any such transfer shall be effected upon surrender of this Warrant Certificate at the principal office of the Company or its designated agent, together with a written assignment of the Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant Certificate or Warrant Certificates in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant Certificate evidencing the portion of the Warrant not so assigned, and this Warrant Certificate shall promptly be cancelled.

7. Securities Act Compliance. The Warrantholder hereby represents: (a) that this Warrant and any Securities will be acquired for investment for the Warrantholder's own account and not with a view to the resale or distribution of any part thereof, and (b) that the Warrantholder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. In addition, as a condition of its delivery of certificates for the Common Stock, the Company will require the Warrantholder to deliver to the Company representations regarding the Warrantholder's sophistication, investor status, investment intent, acquisition for its own account and such other matters as are reasonable and customary for purchasers of securities in an unregistered private offering as set forth in the attached Exercise Form. The Company may place conspicuously upon each certificate representing the Securities a legend substantially in the following form, the terms of which are agreed to by the Warrantholder:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER JURISDICTIONS AND, IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS."

8. No Rights as a Shareholder. Except as otherwise provided herein, the Warrantholder will not, by virtue of ownership of the Warrant, be entitled to any rights of a shareholder of the Company but will, upon written request to the Company, be entitled to receive such quarterly or annual reports as the Company distributes to its shareholders.

9. Notice. Any notices required or permitted to be given hereunder will be in writing and may be served personally or by mail, including by e-mail; and if served will be addressed as follows:

If to the Company:

Ammo, Inc.
Attn: Ron Shostack
6401 E Thomas Road, Suite 106
Scottsdale, AZ 85251
Email: ron@ammo-inc.com

If to the Warrantholder:

Paulson Investment Company, LLC
Attn: Alex Winks
2141 W. North Ave., 2nd Floor
Chicago, Illinois 60647

Any notice so given by mail will be deemed effectively given 48 hours after mailing when deposited in the United States mail, registered or certified mail, return receipt requested, postage prepaid and addressed as specified above. Any notice given by e-mail must be accompanied by confirmation of receipt, and will be deemed effectively given upon confirmation of such receipt. Any party may by written notice to the other specify a different address for notice purposes.

10. Applicable Law. This Warrant Certificate will be governed by and construed in accordance with the laws of the State of New York, without reference to conflict of laws principles thereunder.

[Signature page follows.]

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be executed by its officer thereunto duly authorized as of the date first above indicated.

Dated as of _____

Ammo, Inc.

By:

Name: Ron Shostack
Title: Chief Financial Officer



EXERCISE FORM

(To Be Executed by the Warrantholder
to Exercise the Warrant)

TO: Ammo, Inc.

1. The undersigned hereby irrevocably elects to exercise the right to purchase _____ shares of Common Stock, represented by Warrant No. C-19 as follows:

Exercise for Cash. Pursuant to Section 2(a) of the Warrant, the Holder hereby elects to exercise the Warrant for cash and tenders payment herewith (or has made a wire transfer) to the order of Ammo, Inc. in the amount of \$_____.

Cashless Exercise. Pursuant to Section 2(b) of the Warrant, the Holder hereby elects to exercise the Warrant on a cashless basis.

2. The undersigned requests that the applicable number of shares of Common Stock be issued and delivered to the following address:

Name: _____

Address: _____

Email: _____

SSN: _____

3. The undersigned understands, agrees and recognizes that:

(a) No federal or state agency has made any finding or determination as to the fairness of the investment or any recommendation or endorsement of the securities.

(b) All certificates evidencing the shares of Common Stock, if any, may bear a legend substantially similar to the legend set forth in [Section 7] of the Warrant Certificate regarding resale restrictions.

Representations of the undersigned.

5. The undersigned acknowledges that the undersigned has received, read and understood the Warrant and agrees to abide by and be bound by its terms and conditions.

6. (i) The undersigned has such knowledge and experience in business and financial matters that the undersigned is capable of evaluating the Company and the proposed activities thereof, and the risks and merits of this prospective investment.

YES NO

(ii) If "No", the undersigned is represented by a "purchaser representative," as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act").

YES NO

7. (i) The undersigned is an "accredited investor," as that term is defined in the Securities Act.

YES NO

(ii) If "Yes," the undersigned comes within the following category of that definition (check one):

The undersigned is a natural person whose present net worth (or whose joint net worth with his or her spouse), excluding the value of the undersigned's primary residence, exceeds \$1,000,000. For purposes of calculating the undersigned's present net worth, the undersigned has included the following as liabilities: (i) any indebtedness that is secured by the undersigned's primary residence in excess of the estimated fair market value of the undersigned's primary residence at the time of the sale of the shares, and (ii) any incremental debt secured by the undersigned's primary residence that was incurred in the 60 days before the sale of the shares, other than as a result of the acquisition of the undersigned's primary residence.

The undersigned is a natural person who had individual income in excess of \$200,000 in each of the last two years or joint income with the undersigned's spouse in excess of \$300,000 during such two years, and the undersigned reasonably expects to have the same income level in the current year.

The undersigned is an officer or director of the Company.

The undersigned is a corporation or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

The undersigned is a trust with total assets in excess of \$5,000,000 whose purchase is directed by a person with such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the prospective investment.

The undersigned is an entity, all of whose equity owners are accredited investors under one or more of the categories above.

8. The undersigned understands that the shares purchased hereunder have not been registered under the Securities Act, in reliance upon the exemption from the registration requirements under the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder; and, therefore, that the undersigned must bear the economic risk of the investment for an indefinite period of time since the securities cannot be sold, transferred or assigned to any person or entity without compliance with the provisions of the Securities Act

Dated: _____, 20__.

By: _____
Name: _____
Print: _____

Note: Signature must correspond with the name as written upon the face of the Warrant in all respects, without alteration or enlargement or any change whatsoever.

LICENSING AGREEMENT

This LICENSING AGREEMENT ("Agreement") is made effective as of this 11th day of October, 2016 ("Effective Date"), by and between AMMO, Inc., a Delaware corporation ("AMMO") with an office at 6402 East Thomas Rd, Scottsdale, AZ 85251, and Jesse James, an individual residing at 12295 Trautwein Rd., Austin Texas 78737 ("JJ"), and, solely for the purposes of Section 7, Jesse James Firearms Unlimited, LLC, a Texas limited liability company having an address of 12295 Trautwein Rd., Austin Texas 78737 ("JJFU").

WHEREAS, JJ is a well know motorcycle and gun designer whose name, endorsements, and services have commercial value to AMMO;

WHEREAS, JJFU sells firearms bearing certain names, endorsement, and likeness of JJ; WHEREAS, JJ is a principal of JJFU; and

WHEREAS, AMMO is desirous to obtain the right to use the name, likeness, and endorsement of JJ in connection with the advertisement and promotion of certain products of AMMO, namely a Jesse James branded line of ammunition, and associated other promotional items related to the line of ammunition.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, JJFU (solely for the purposes of Section 7), JJ, and AMMO agree as follows:

1. DEFINITIONS.

- a. "Confidential Information" means all financial, commercial, technical, proprietary, personal and other information, data, trade secrets and know-how of either party that is not generally known or readily derivable from publicly available information, including the terms of this Agreement.
- b. "Image Rights" means the right to use the name, image, photographs, autograph, likeness, characterization, biography, visual and audio representation of JJ.
- c. "Intellectual Property Rights" means all patents and patent applications, utility models, rights in industrial designs, trademarks (whether registered or unregistered and including any goodwill in such trade marks), service marks, trade names, business names, internet domain names, rights in designs (whether registered or unregistered), copyrights, moral rights, rights in Confidential Information, rights in inventions (whether patentable or not), and all rights in discoveries, improvements, techniques, processes, tools, models, concepts, and systems, and all other intellectual property rights, whether registered or unregistered, including any form of application for any of the same and all similar or equivalent rights which may exist anywhere in the world.
- d. "Jesse James Branded Products" means AMMO's Jesse James branded line of ammunition, and other associated Jesse James branded promotional items related thereto. Such other promotional items include other items commonly promoted and sold by other ammunition manufacturers to promote the branding and recognition of their ammunition, for example, clothing, hats, etc.
- e. "Net Profit" means Net Sales minus cost of goods sold, minus operating expenses, minus taxes, minus interest.
- f. "Net Sales" means the revenue received from the wholesale sale of Jesse James Branded Products, less customary discounts, and allowances, and less any bona fide returns.
- g. "Potential Retailers" means retail and e-commerce companies with which JJ already has commercial relationships for other JJ branded products, and which are targets to distribute and sell Jesse James Branded Products.

2. **APPOINTMENT/ENGAGEMENT.** AMMO engages JJ, and JJ hereby accepts the engagement, to provide for his endorsement of, and assistance in offering/selling AMMO's Jesse James Branded Products.

3. **TERM.** Unless terminated in accordance with Section 11, the term of this Agreement shall commence as of the Effective Date and shall continue for an initial term of five (5) years ("Initial Term"). The Agreement shall be automatically extended for successive additional one (1) year terms (each a "Renewal Term") unless either party gives ninety (90) days advanced written notice of the desire to terminate. The Initial Term and any Renewal Term(s) are collectively referred to as the Term.

4. **GRANT.** During the Term, and subject to the limitations herein, JJ grants AMMO exclusive, worldwide rights to E's Image Rights and any and all trademarks associated with JJ in connection with the marketing, promotion, advertising, sale, and commercial exploitation of the Jesse James Branded Products for such purposes as AMMO may reasonably require. Such Image Rights shall include, but not be limited to, the following uses:

- a. One or more television and/or radio commercials
- b. Product packaging, promotion, and advertising
- c. Use on the internet, including AMMO's website
- d. In AMMO press releases
- e. Personal appearances, for example, speaking engagements, trade shows, and exhibitions
- f. Throughout all company controlled and operated social media pages and sites
- g. Use in/on any advertising medium including magazine, billboard, electronic displays etc

5. **SERVICES.** In connection with the appointment, JJ agrees to do the following for the Term ("Services"):

- a. Upon request by AMMO, attend at six (6) photograph session annually for pictures to be used in conjunction with the marketing, promotion, and sale of the Jesse James Branded Products, the date and time to be mutually agreed upon by the parties. The photograph(s) shall be submitted to JJ for approval. In the event JJ does not accept or reject the submitted photograph(s) within seven (7) days, the photograph(s) will be deemed accepted by JJ.
- b. Upon request by AMMO, attend at least four (4) production sessions annually to be used for the production of a commercial used in conjunction with the marketing, promotion, and sale of the Jesse James Branded Products, the date and time to be mutually agreed upon by the parties. The commercial(s) shall be submitted to JJ for approval. In the event JJ does not accept or reject the submitted commercial(s) within seven (7) days, the commercial(s) will be deemed accepted by JJ.
- c. Promote the Jesse James Branded Products through his own social media outlets, provided that JJ agrees to incorporate any reasonable changes, updates, or clarifications requested AMMO. JJ agrees to do a minimum of 4 posts per month during Term on each social media platform JJ has accounts on. JJ will use both video posts and static image posts to help promote and support Company.
- d. Provide proposed designs for the packaging of the Jesse James Branded Products, provided that the ultimate design and packaging shall be at AMMO's absolute discretion.
- e. Review and provide input on the Jesse James Branded Products, provided that the ultimate technical specifications, function, and overall design of the Jesse James Branded Products shall be at AMMO's absolute discretion.
- f. In coordination with, and subject to AMMO's approval, E shall assist with introductions to, calling upon, and negotiations with Potential Retailers for the sale and distribution of Jesse James Branded Products.

- g. If JJ is involved in any sponsored photography sessions, internet, promotional, or television commercials, JJ shall wear items of clothing and/or accessories that AMMO deems appropriate for the marketing, promotion, advertising and sale of the Jesse James Branded Products.
- h. JJ agrees to make a minimum of six (6) appearances annually at trade shows or promotional events as determined by AMMO. At such appearances, JJ agrees to sign autographs for at least four (4) hours per appearance.
- i. JJ hereby agrees that he shall not grant right to use the Jessie James Image Rights to any other company, manufacturer or retailer of the same product(s), or similar product(s), to that of the Jesse James Branded Products.
- j. JJ agrees not to develop, sponsor, endorse, or promote (i) any other products that are substantially similar in purpose to, or competitive with the Jesse James Branded Products; or (ii) any other company, manufacturer, or retailer which sells products that are similar in purpose to, or competitive with the Jesse James Branded Products. The parties specifically agree that JE s and BED' s promotion and sale of Jesse James Firearms Unlimited firearms is authorized.
- k. For all of the Services provided herein, JJ agrees that none of the Services will contain any obscene or defamatory material and will not expose AMMO to criminal or civil proceedings.
- l. JJ agrees not to participate in any activities which would prejudice the goodwill and reputation of AMMO and/or the Jesse James Branded Products during the Term of the Agreement, and for a period of twelve (12) months thereafter.
- m. JJ agrees not to act or engage in any action or conduct which would impugn his character or reputation or that of his work hereunder.

The limitations in Sections 5(j) and (k) shall extend through the Transition Period. AMMO agrees to reimburse JJ for any out-of-pocket, reasonable, preapproved travel expenses, including airfare, ground transportation, hotel accommodations, and meals related to performance of the Services hereunder. For any air travel over four (4) hours, JJ is authorized to purchase if available, and AMMO will reimburse JJ for, first-class tickets or comparable. For all other air travel, AMMO will reimburse JJ for standard coach ticket air fare. Reimbursement shall be subject to production of receipts or other appropriate evidence of payment.

- 6. **CONFIDENTIALITY**. Each party agrees that it will not disclose to any third party or use any Confidential Information disclosed to it by the other party except as expressly permitted in this Agreement; and that it will take all reasonable measures to maintain the confidentiality of all Confidential Information of the other party in its possession or control, which will in no event be less than the measures it uses to maintain the confidentiality of its own information of similar importance. The foregoing restrictions do not apply to (a) any use or disclosures authorized by the disclosing party; (b) any use or disclosure required by law or by court, provided that the receiving party provides the disclosing party as much notice of the disclosure, or potential disclosure, as possible; and (c) any information which is already in, or comes into, the public domain other than through the receiving party's unauthorized disclosure.
- 7. **TRADEMARKS**. The parties acknowledge and agree that AMMO may adopt, use, and/or seek trademark registration for, one or more trademarks relating to the Jesse James Branded Products, including but not limited to JESSE JAMES AMMUNITION. The parties agree that AMMO shall own all rights to such trademarks, and all use of such trademarks shall inure to the benefit of AMMO, provided that AMMO shall cease using JESSE JAMES as part of any such trademark(s) upon termination of this Agreement and expiration of the Transition Period. JJ and JFU agree to cooperate with AMMO in seeking federal registration of any such trademark by AMMO.

Without limiting the foregoing, JJ agrees to execute any necessary consent required by the United States Patent and Trademark Office ("USPTO") for use of the Jesse James name, and JJFU agrees, to the extent necessary, to execute any necessary consent and/or co-existence agreements required by the USPTO.

- 8. OWNERSHIP OF INTELLECTUAL PROPERTY.** Subject to the limitations herein, and in consideration of the Royalty paid to JJ, JJ agrees to assign, and does hereby assign, all present and future Intellectual Property Rights related to the Services, including but not limited to in all media and advertising related to the Jesse James Branded Products, and any other material created for the purpose of this Agreement, including but not limited to the trademarks, and any packaging designs of JJ. AMMO shall be entitled to use, exploit or license any of the material produced or created as a result of the Services provided by JJ. JJ shall give AMMO immediate written notice of any actual, threatened, or suspected infringement of AMMO's Intellectual Property Rights. JJ represents and warrants that any intellectual property contributed by JJ (including the use of JESSE JAMES as part of the JESSE JAMES AMMUNITION trademark), will not infringe the Intellectual Property Rights of any third party.
- 9. COMPENSATION.** In exchange for JJ's performance of the Services, AMMO agrees to pay JJ a royalty, calculated by method of: (a) for Tier 1 ammunition Jesse James Branded Products, JJ will be paid five percent (5%) of the Net Sales for which payment has been received from the applicable customer ("Ammunition Royalty1"); (b) for Tier 2 ammunition Jesse James Branded Products, JJ will be paid three percent (4%) of the Net Sales for which payment has been received from the applicable customer ("Ammunition Royalty2"); and (c)for non-ammunition Jesse James Branded Products (e.g., t-shirts, hats, and other promotional items), JJ will be paid twenty-five percent (50%) of the Net Profit for which payment has been received from the applicable customer ("Promotional Item Royalty"). The Ammunition Royalty1&2 and Promotional Item Royalty are collectively referred to as "Royalty". Royalty payments to be paid quarterly. AMMO will make this payment to JJ within 45 days of the close of each fiscal quarter. Along with the payment of the Royalties, AMMO shall provide a royalty statement showing the Net Sales or Net Profit (as applicable) of the Jesse James Branded Products, and the amount of Royalties due to JJ. Upon reasonable request by JJ, but not more than annually, AMMO shall make its applicable books and records available for review by JJ to confirm payment of the applicable Royalties.
- 10. STOCK COMPENSATION.** JJ will receive a onetime signing bonus of 100,000 shares of AMMO stock

Performance Bonus are as follows:

- Gross sales of JJ Products reach \$2,500,000-\$5,000,000 - 10,000 shares
- Gross sales of JJ Products reach \$5,000,001-\$10,000,000 - 15,000 shares
- Gross sales of JJ Products reach \$10,000,001-\$15,000,000 - 20,000 shares
- Gross sales of JJ Products reach \$15,000,001< - 30,000 shares

10.01 RESTRICTIONS ON AMMO, INC. SHARES ISSUED PURSUANT TO THIS AGREEMENT. The common stock shares that may be issued by the Company pursuant to this Agreement will **not been registered** and are being issued pursuant to a specific exemption under the Securities Act, as well as under certain state securities laws for transactions by an issuer not involving any

public offering or in reliance on limited federal preemption from such state securities registration laws. The shares to be issued by the Company pursuant to this Agreement must be held and may not be sold, transferred, or otherwise disposed of for value unless such securities are subsequently registered under the Securities Act or an exemption from such registration is available, and that the certificates representing the shares of AMMO, Inc. Common Stock issued pursuant to this Agreement will bear a legend in substantially the following form so restricting the sale of such securities:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are "restricted securities" within the meaning of Rule 144 promulgated under the Securities Act. The securities have been acquired for investment and may not be sold or transferred without complying with Rule 144 in the absence of an effective registration or other compliance under the Securities Act.

Except as Consultant may be otherwise restricted from selling shares of the common stock of the Company (the "Common Stock") under applicable federal or state securities laws, rules and regulations and Securities and Exchange Commission (the "SEC") interpretations thereof, Consultant may only sell the Common Stock subject to the following conditions:

10.02 Notwithstanding any applicable federal or state securities laws, rules and regulations and Securities and Exchange Commission (the "SEC") interpretations thereof, the Consultant shall not be allowed to sell any shares of Common Stock for twelve (12) months subsequent to the Effective Date of this Agreement (the "Lock-Up Period");

10.03 Notwithstanding any applicable federal or state securities laws, rules and regulations and Securities and Exchange Commission (the "SEC") interpretations thereof and for the twelve (12) months following the Lock-Up Period (the "Leak-Out Period"), the Consultant shall only be permitted to sell shares of the Consultant's Common Stock in accordance with the following terms and conditions:

10.04 If the average trading volume of the Company's stock exceeds \$25,000 per day for the 5 trading days prior to the date of any sale of Common Stock by the Consultant during the Leak-Out Period, then the Consultant can sell such Common Stock without restriction.

10.05 If the average trading volume of the Company's stock is less than or equal to \$25,000 per day for the 5 trading days prior to the date of any sale of Common Stock by the Consultant during the Leak-Out Period, then the Consultant can only sell that certain number of Common Stock shares equal to 5% of the total issued and outstanding shares of the Company every 30 days during the Leak-Out Period.

10.06 An appropriate legend describing this Agreement shall be imprinted on each stock certificate representing Common Stock covered hereby, and the transfer records of the Company's transfer agent shall reflect such appropriate restrictions.

10.07 The Consultant agrees that she will not engage in any short selling of the Common Stock of the Company.

11. **DISCOUNTS.** Notwithstanding the foregoing, the parties recognize that Potential Retailers may seek special discounts for Jesse James Branded Products. In such event, the parties agree to negotiate in good faith appropriate adjustments to the Royalty to ensure the overall decrease in revenue is equitably shared between JJ and AMMO.
12. **PRODUCT PURCHASE.** JJ may purchase Product to sell across his website(s) at AMMO's lowest pricing offered to wholesale vendors. If requested, JJ will receive 100 rounds of each skew of the Jesse James Branded Products per month during the Term.
13. **INDEMNITY.** AMMO and JJ mutually agree to defend, indemnify, and hold harmless the other against all third party claims, losses (including attorneys' fees), liabilities, judgement, and settlements arising from or relating to its own breach of this Agreement. In the event of a claim hereunder, JJ and AMMO agree to provide full details in writing to the other party at the earliest opportunity and shall not settle any such matter without first consulting the other party. The indemnifying party will promptly reimburse the indemnified party for all reasonable expenses and cost incurred in defending the indemnified party. The indemnified party will have the right to select its own counsel, subject only to the indemnifying party's reasonable right of approval of any such counsel. This indemnification will survive termination of the Agreement.
14. **DEFAULT AND TERMINATION.** If either party at any time during the Term shall (a) fail to make a required payment when due; (b) goes into voluntary or involuntary liquidation or is declared insolvent; or (c) fail to observe or perform any of the covenants, agreements or obligations under this Agreement, the non-defaulting party may terminate this Agreement if such default is not cured within thirty (30) days after the defaulting party shall have received written notice of such failure specifying in reasonable detail the nature of such default. The termination rights shall not constitute the exclusive remedy. Upon any termination of this Agreement, AMMO shall be entitled to a transition period of twelve (12) months ("Transition Period") during which it can continue to use the Image Rights to enable it to liquidate all inventory and in-process orders for Jesse James Branded Products. In addition to the foregoing, in the event JJ engages in any conduct or activity that sheds a negative light or disparaging light on JJ or AMMO, then AMMO may terminate this Agreement for cause on ten (10) days notice, without opportunity to cure on JJ's behalf. AMMO shall continue to pay all applicable Royalties due to JJ during the Transition Period.
15. **LIMITED LIABILITY.** Notwithstanding anything to the contrary in this Agreement, AMMO's liability to JJ shall not exceed the remuneration, excluding reimbursement of expenses, actually paid by AMMO to JJ over the preceding twenty-four (24) months. In no event will AMMO be liable for any indirect, incidental, reliance, special, consequential, or punitive damages for any claim or cause of action (including negligence) arising out of or related to this Agreement, even if AMMO has been advised of the possibility of such damages.
16. **FORCE MAJEURE.** If performance of this Agreement or any obligation under this Agreement is prevented, restricted, or interfered with by causes beyond either party's reasonable control ("Force Majeure"), and if the party unable to carry out its obligations gives the other party prompt written notice of such event, then the obligations of the party invoking this provision shall be suspended to the extent necessary by such event. The term Force Majeure shall include, without limitation, acts of God, fire, explosion, vandalism, storm or other similar occurrence, orders or acts of military or civil authority, or by natural emergencies, insurrections, riots, or wars, strikes, lock-outs, work stoppages. The excused party shall use reasonable efforts under the

circumstances to avoid or remove such causes of non-performance and shall proceed to perform with reasonable dispatch whenever such caused are removed or ceased. An act or omission shall be deemed within the reasonable control of a party if committed, omitted, or caused by such party, or its employees, officers, agents, or affiliates.

17. **ARBITRATION.** Any controversies or disputes arising out of or relating to this Agreement shall be resolved by binding arbitration in accordance with the then-current Commercial Arbitration Rules of the American Arbitration Association. The parties shall select a mutually acceptable arbitrator knowledgeable about issues relating to the subject matter of this Agreement. In the event the parties are unable to agree to such a selection, AMMO and JJ will select an arbitrator and the two arbitrators in turn shall select a third arbitrator, all three of whom shall preside jointly over the matter. The arbitration shall take place at a location that is reasonably centrally located between the parties, or otherwise mutually agreed upon by the parties. All documents, materials, and information in the possession of each party that are in any way relevant to the dispute shall be made available to the other party for review and copying no later than 30 days after the notice of arbitration is served. The arbitrator(s) shall not have the authority to modify any provision of this Agreement or to award punitive damages. The arbitrator(s) shall have the power to issue mandatory orders and restraint orders in connection with the arbitration. The decision rendered by the arbitrator(s) shall be final and binding on the parties, and judgement may be entered in conformity with the decision in any court having jurisdiction. The agreement to arbitrate shall be specifically enforceable under the prevailing arbitration law. During the continuance of any arbitration proceedings, the parties shall continue to perform their respective obligations under this Agreement. The costs of the arbitrators shall be split between the parties appearing before the arbitrators.
18. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the parties, and there are no other promises or conditions in any other agreement whether oral or written concerning the subject matter of this Agreement. This Agreement supersedes any prior written or oral agreements between the parties.
19. **SEVERABILITY.** If any provision of this Agreement will be held invalid or unenforceable for any reason, the remaining provisions will continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision will be deemed to be written, construed, and enforced as so limited.
20. **ASSIGNMENT.** The rights of each party under this Agreement are personal to that party, and neither this Agreement, nor any of the rights or obligations contained herein, may be assigned (by contract, law, or otherwise) or transferred by any party without the prior, express written consent of the parties hereto. Notwithstanding the foregoing, AMMO may delegate or assign any or all of its rights under this Agreement to any of its subsidiaries or affiliates. Any purported assignment in violation of this section shall be null and void.
21. **AMENDMENT.** This Agreement may not be modified or amended except by a written document executed by an authorized representative of each party.
22. **GOVERNING LAW.** This Agreement, any amendments hereto, and any and all issues or controversies arising hereunder, shall be governed by, construed, and enforced in accordance with the laws of the State of Nevada without regard to its choice of law provisions.

23. **NOTICES.** Any notice or communication required or permitted under this Agreement shall be sufficiently given if delivered in person or by certified mail, return receipt requested, to the following addresses, or to such other address as one party may have furnished to other in writing: (1) for JJFU, 800 Dripping Springs Ranch Rd., Dripping Springs, Texas 78620; (2) for AMMO, 6401 East Thmoas, Scottsdasle, AZ 85251, Attn: Fred Wagenhals; and (3) for JJ, to the address set forth in the opening paragraph.
24. **WAIVER OF CONTACTUAL RIGHT.** The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.
25. **RELATIONSHIP OF THE PARTIES** Nothing contained in this Agreement shall be deemed or construed to place the parties in relationship of partners, joint venturers, principal-agent, or employer-employee, it being understood that the parties hereto are and will remain independent contractors in all respects, and neither party shall have any right to obligate or bind the other in any manner whatsoever. Nothing herein shall be deemed to provide any right or remedy to any third party.
26. **CONSTRUCTION OF THE AGREEMENT.** The parties acknowledge that they have jointly participated in the negotiation of this Agreement and no provision of the Agreement shall be construed against, or be interpreted in favor of, either party by reason of such party having or deemed to have structured, dictated, or drafted such provision.
27. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and taken together shall be construed as a single instrument. This Agreement may be executed by electronic submission and signatures on such a copy shall be deemed as an original signature.
28. **SIGNATORIES AUTHORITY TO CONTRACT.** Each of the parties to this Agreement represent and warrant that it has the full right and power to enter into this Agreement, to perform all designated obligations, and grant all designated rights without violating the legal or equitable rights of any other party, and the execution and performance hereunder will not conflict with or result in breach of or default of any other agreement to which the party is bound.

IN WITNESS WHEREOF, this Agreement is effective as of the Effective Date shown above.

/s/ Fred Wagenhals
 Fred Wagenhals
 CEO

Dated: 11-14/16

/s/ Jesse James
 Jesse James, Individual

Dated: 11/14/2016

Jessie James Firearms Unlimited, LLC (solely for the purposes of Section 7)

/s/ Jesse James
 Jesse James, Principal

Dated: 11/14/2016

LICENSING AGREEMENT

This LICENSING AGREEMENT ("Agreement") is made effective as of this 15th day of February, 2017 ("Effective Date"), by and between AMMO, Inc., a Delaware corporation ("AMMO") with an office at 6402 East Thomas Rd, Scottsdale, AZ 85251, and Jeff Rann, an individual residing at 5420 County Road 531, Hondo, TX, 78861 ("JR").

WHEREAS, JR is a well known Hunter, Guide and Spokesman for the Gun and Ammo industry whose name, endorsements, and services have commercial value to AMMO;

WHEREAS, AMMO is desirous to obtain the right to use the name, likeness, and endorsement of JR and name, likeness, imagery and endorsement of JR in connection with the advertisement and promotion of certain products of AMMO, namely a Jeff Rann branded line of ammunition, and associated other promotional items related to the line of ammunition. **NOW THEREFORE**, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged JR, and AMMO agree as follows:

1. DEFINITIONS.

- a. "Confidential Information" means all financial, commercial, technical, proprietary, personal and other information, data, trade secrets and know-how of either party that is not generally known or readily derivable from publicly available information, including the terms of this Agreement.
 - b. "Image Rights" means the right to use the name, image, photographs, autograph, likeness, characterization, biography, visual and audio representation of JR as well as images, songs, name and logos for JR.
 - c. "Intellectual Property Rights" means all patents and patent applications, utility models, rights in industrial designs, trademarks (whether registered or unregistered
-

and including any goodwill in such trademarks), service marks, trade names, business names, internet domain names, rights in designs (whether registered or unregistered), copyrights, moral rights, rights in Confidential Information, rights in inventions (whether patentable or not), and all rights in discoveries, improvements, techniques, processes, tools, models, concepts, and systems, and all other intellectual property rights, whether registered or unregistered, including any form of application for any of the same and all similar or equivalent rights which may exist anywhere in the world.

- d. "Products" means AMMO's Jeff Rann branded line of ammunition including the calibers of ammunition listed in "Schedule A" ("Products"), and other associated Jeff Rann branded promotional items related thereto. Such other promotional items include other items commonly promoted and sold by other ammunition manufacturers to promote the branding and recognition of their ammunition, for example, clothing, hats, etc.
- e. "Net Profit" means Net Sales minus cost of goods sold, minus operating expenses, minus taxes, minus interest.
- f. "Net Sales" means the revenue received from the wholesale sale of Jeff Rann Branded Products, less customary discounts, and allowances, and less any bona fide returns.
- g. "Potential Retailers" means retail and e-commerce companies with which JR already has commercial relationships for other JR branded products, and which are targets to distribute and sell Jeff Rann Branded Products.

2. APPOINTMENT/ENGAGEMENT. AMMO engages JR, and JR hereby accepts the engagement, to provide for his endorsement of, and assistance in offering/selling AMMO's Jeff Rann Branded Products pursuant to the terms herein.

3. TERM. Unless terminated in accordance with Section 15,

the term of this Agreement shall commence as of the Effective Date and shall continue for an initial term of five (5) years ("Initial Term"). The Agreement shall be automatically extended for successive additional one (1) year terms (each a "Renewal Term") unless either party gives ninety (90) days advanced written notice of the desire to terminate. The Initial Term and any Renewal Term(s) are collectively referred to as the Term.

4. GRANT. During the Term, and subject to the limitations herein, JR grants AMMO exclusive, worldwide rights to JR's Image Rights and any and all trademarks associated with JR in connection with the marketing, promotion, advertising, sale, and commercial exploitation of the Products for such purposes as AMMO may reasonably require. Such Image Rights shall include, but not be limited to, the following uses:

- a. One or more television and/or radio commercials
- b. Product packaging, promotion, and advertising
- c. Use on the internet, including AMMO's website
- d. In AMMO press releases
- e. Personal appearances, for example, speaking engagements, trade shows, and exhibitions
- f. Throughout all AMMO controlled and operated social media pages and sites
- g. Use in/on any advertising medium including magazine, billboard, electronic displays etc

5. SERVICES. In connection with the appointment, JR agrees to do the following for the Term ("Services"):

- a. JR will provide images and video content of himself, his work, safaris he is involved in, various animals and hunting images, images of Products being utilized in hunts, etc. Images will be used in conjunction with the marketing, promotion, and sale of the Jeff Rann Branded Products. The photograph(s) shall be submitted to AMMO as requested. In the event JR does not accept or reject the submitted packaging within seven (7) days, the

photograph(s) will be deemed accepted by JR.

- b. Assist AMMO in promoting the Products through JR branded social media outlets, provide imagery and content as requested by AMMO to incorporate in social media and websites. JR agrees to provide content to do a minimum of 4 posts per month during Term on each social media platform operated by AMMO. JR will provide AMMO with both video content and static image posts to help promote and support AMMO.
- c. Provide proposed designs for the packaging of the Jeff Rann Branded Products, provided that the ultimate design and packaging shall be at AMMO's absolute discretion.
- d. Review and provide input on the Jeff Rann Branded Products, provided that the ultimate technical specifications, function, and overall design of the Jeff Rann Branded Products shall be at AMMO's absolute discretion, notwithstanding the foregoing, the ten calibers listed on Schedule A attached hereto and the components used to manufacture said calibers shall be approved by both AMMO and JR.
- e. In coordination with, and subject to AMMO's approval, JR shall assist with introductions to, calling upon, and negotiations with Potential Retailers for the sale and distribution of Jeff Rann Branded Products.
- f. If JR is involved in any sponsored photography sessions, internet, promotional, or television commercials, JR shall wear items of clothing and/or accessories that AMMO deems appropriate for the marketing, promotion, advertising and sale of the Jeff Rann Branded Products.
- g. JR agrees to make a minimum of four (4) appearances annually at, once at each of the following trade shows or promotional events: 1) Dallas Safari Club Convention, 2) Safari Club International Convention, 3) National Shooting Sports Foundation "Shot Show", and 4) National Rifle Association Convention . At such appearances, JR agrees to sign autographs for at least four (4) hours per appearance. Additional appearances

shall be at JR's discretion and subject to JR's availability.

- h. JR hereby agrees that he shall not grant right to use the Jeff Rann, Image Rights to any other ammunition manufacturer or retailer of the same product(s), or similar product(s), to that of the Jeff Rann Branded Products.
- i. JR agrees not to develop, sponsor, endorse, or promote (i) any other products that are substantially similar in purpose to, or competitive with the Jeff Rann Branded Products; or (ii) any other ammunition manufacturer, or retailer which sells products that are similar in purpose to, or competitive with the Jeff Rann Branded Products. The parties specifically agree that JR's promotion and sale of Products is authorized.
- j. For all of the Services provided herein, JR agrees that none of the Services will contain any obscene or defamatory material and will not expose AMMO to criminal or civil proceedings.
- k. JR agrees not to participate in any activities which would prejudice the goodwill and reputation of AMMO and/or the Jeff Rann Branded Products during the Term of the Agreement, and for a period of twelve (12) months thereafter.
- l. JR agrees not to act or engage in any action or conduct which would impugn his character or reputation or that of his work hereunder.
- m. JR will wear AMMO branded shirts and hats as required by AMMO.
- n. JR shall host and guide a total of ten (10) hunts on his 777 Ranch for AMMO during the first five (5) years of this Agreement, and AMMO will be credited Ten Thousand Dollars (\$10,000.00) to be applied towards the cost of each hunt (based on the pricing of the 777 Ranch in effect at the time of the hunt). In no event shall JR be required to credit AMMO more than One Hundred Thousand Dollars (\$100,000.00) during the term of this Agreement. AMMO will facilitate and pay for the filming and photographing of the hunts on the 777 Ranch

for promotional purposes.

- o. JR will assist in Product development and have approvals over packaging and Products. After submission for approval, JR will have 72 hours to approve. Failure to approve within the 72 hours will deem to have been approved.
- p. All Products must meet guidelines and standards as agreed on between AMMO and JR, JR shall specifically approve the calibers and components of the JR Branded ammunition. .

The limitations in Sections 5(j) and (k) shall extend through the Transition Period. AMMO agrees to reimburse JR for any out-of-pocket, reasonable, preapproved travel expenses, including airfare, ground transportation, hotel accommodations, and meals related to performance of the Services hereunder. For any air travel over two (2) hours, JR and one companion are authorized to purchase if available, and AMMO will reimburse JR for, business class tickets or comparable. For all other air travel, AMMO will reimburse JR and companion for standard coach ticket air fare. Reimbursement shall be subject to production of receipts or other appropriate evidence of payment.

- 6. CONFIDENTIALITY.** Each party agrees that it will not disclose to any third party or use any Confidential Information disclosed to it by the other party except as expressly permitted in this Agreement; and that it will take all reasonable measures to maintain the confidentiality of all Confidential Information of the other party in its possession or control, which will in no event be less than the measures it uses to maintain the confidentiality of its own information of similar importance. The foregoing restrictions do not apply to (a) any use or disclosures authorized by the disclosing party; (b) any use or disclosure required by law or by court, provided that the receiving party provides the disclosing party as much notice of the

disclosure, or potential disclosure, as possible; and (c) any information which is already in, or comes into, the public domain other than through the receiving party's unauthorized disclosure.

7. **TRADEMARKS.** The Parties acknowledge and agree that AMMO may adopt, use, and/or seek trademark registration for, one or more trademarks relating to the Jeff Rann Branded Products, including but not limited to Jeff Rann Branded Line of ammunition. The Parties agree that AMMO shall own all rights to such trademarks, and all use of such trademarks shall inure to the benefit of AMMO, provided that AMMO shall cease using JEFF RANN as part of any such trademark(s) upon termination of this Agreement and expiration of the Transition Period. JR agrees to cooperate with AMMO in seeking federal registration of any such trademark by AMMO. Without limiting the foregoing, JR agrees to execute any necessary consent required by the United States Patent and Trademark Office ("USPTO") for use of the Jeff Rann name, and JR agrees, to the extent necessary, to execute any necessary consent and/or co-existence agreements required by the USPTO.

8. **OWNERSHIP OF INTELLECTUAL PROPERTY.** Subject to the limitations herein, and in consideration of the Royalty paid to JR, JR agrees to assign, and does hereby assign, all present and future Intellectual Property Rights related to the Services, including but not limited to in all media and advertising related to the Jeff Rann Branded Products, and any other material created for the purpose of this Agreement, including but not limited to the trademarks, and any packaging designs of JR. AMMO shall be entitled to use, exploit or license any of the material produced or created as a result of the Services provided by JR. JR shall give AMMO immediate written notice of any actual, threatened, or suspected infringement of AMMO's Intellectual Property Rights. JR represents

and warrants that any intellectual property contributed by JR (including the use of JEFF RANN as part of the Jeff Rann trademark), will not infringe the Intellectual Property Rights of any third party. Notwithstanding anything contained herein to the contrary, this grant of the Intellectual Property is specific limited in scope to only the Intellectual Property Rights associated with the Products and related Services detailed herein and does not include any rights related to 777 Ranch, Inc. or Rann Safaris.

9. **COMPENSATION.** In exchange for JR's performance of the Services, AMMO agrees to pay JR a royalty, calculated by method of: (a) for all ammunition Products, JR will be paid three percent (3%) of the Net Sales for which payment has been received from the applicable customer ("Ammunition Royalty"); and (b) for non-ammunition Jeff Rann Branded Products (e.g., t-shirts, hats, and other promotional items), JR will be paid twenty-five percent (25%) of the Net Profit for which payment has been received from the applicable customer ("Promotional Item Royalty"). The Ammunition Royalty and Promotional Item Royalty are collectively referred to as "Royalty". Royalty payments to be paid quarterly. AMMO will make this payment to JR within 45 days of the close of each fiscal quarter. Along with the payment of the Royalties, AMMO shall provide a royalty statement showing the Net Sales or Net Profit (as applicable) of the Jeff Rann Branded Products, and the amount of Royalties due to JR. Upon reasonable request by JR, but not more than annually, AMMO shall make its applicable books and records available for review by JR to confirm payment of the applicable Royalties.
10. **STOCK COMPENSATION.** JR will receive a onetime signing bonus of 50,000 shares of AMMO common stock. Annual Performance Bonus are as follows:
Gross sales of Products reach \$2,500,000-\$5,000,000 —10,000 shares

Gross sales of Products reach \$5,000,001-\$10,000,000-15,000 shares
Gross sales of Products reach \$10,000,001-\$15,000,000-20,000 shares
Gross sales of Products reach \$15,000,001< - 30,000 shares

In addition, as compensation for the Hunt Credit in Section 5(n), JR shall receive an additional 50,000, restricted shares of common stock, to be issued with the onetime signing bonus above (the "Hunt Credit Shares"). Except to the extent required by applicable law, JR's ability to sell the Hunt Credit Shares shall not be restricted as defined in Sections 10.2, 10.3, 10.4 and 10.5.

10.01 RESTRICTIONS ON AMMO, INC. SHARES ISSUED PURSUANT TO THIS AGREEMENT.

The common stock shares that may be issued by the AMMO pursuant to this Agreement will **not been registered** and are being issued pursuant to a specific exemption under the Securities Act, as well as under certain state securities laws for transactions by an issuer not involving any public offering or in reliance on limited federal preemption from such state securities registration laws. The share, to be issued by the AMMO pursuant to this Agreement must be held and may not be sold, transferred, or otherwise disposed of for value unless such securities are subsequently registered under the Securities Act or an exemption from such registration is available, and that the certificates representing the shares of AMMO, Inc. Common Stock issued pursuant to this Agreement will bear a legend in substantially the following form so restricting the sale of such securities:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are "restricted securities" within the meaning of Rule 144 promulgated under the Securities Act. The securities have been acquired for investment and may not be sold or transferred without complying with Rule 144 in the absence of an effective registration or other compliance under the Securities Act.

Except as JR may be otherwise restricted from selling shares of the common stock of the AMMO (the "Common Stock") under applicable federal or state securities laws, rules and regulations and Securities and Exchange Commission (the "SEC") interpretations thereof, (except for the 50,000 Hunt Credit Shares) JR may only sell the Common Stock subject to the following conditions:

10.02 Notwithstanding any applicable federal or state securities laws, rules and regulations and Securities and Exchange Commission (the "SEC") interpretations thereof, JR shall not be allowed to sell any shares of Common Stock for twelve (12) months subsequent to the Effective Date of this Agreement (the "Lock-Up Period");

10.03 Notwithstanding any applicable federal or state securities laws, rules and regulations and Securities and Exchange Commission (the "SEC") interpretations thereof and for the twelve (12) months following the Lock-Up Period (the "Leak-Out Period"), JR shall only be permitted to sell shares of JR's Common Stock in accordance with the following terms and conditions:

10.04 If the average trading volume of the AMMO's stock exceeds \$25,000 per day for the 5 trading days prior to the date of any sale of Common Stock by JR during the Leak-Out Period, then JR can sell no more than 3% of their total holdings on a monthly basis such Common Stock without restriction.

10.05 If the average trading volume of the AMMO's stock is less than or equal to \$25,000 per day for the 5 trading days prior to the date of any sale of Common Stock by JR during the Leak-Out Period, then JR can only sell that certain number of Common Stock shares equal to 1% of the total issued shares to JR every 30 days during the Leak-Out Period.

10.06 An appropriate legend describing this Agreement shall be imprinted on each stock certificate representing Common Stock covered hereby, and the transfer records of the AMMO's transfer agent shall reflect such appropriate restrictions.

10.07 JR agrees that she will not engage in any short selling of the Common Stock of the AMMO.

11. DISCOUNTS. Notwithstanding the foregoing, the parties recognize that Potential Retailers may seek special discounts for Products. In such event, the parties agree to negotiate in good faith appropriate adjustments to the Royalty to ensure the overall decrease in revenue is equitably shared between JR and AMMO.

12. PRODC T PURCHASE. JR may purchase Product to sell across his website(s) at AMMO's lowest pricing offered to wholesale vendors. If requested, JR will receive 100 rounds of each caliber of the Jeff Rann Branded Products per month during the Term.

13. INDEMNITY. AMMO and JR mutually agree to defend, indemnify, and hold harmless the other against all third party claims, losses (including attorneys' fees), liabilities, judgement, and settlements arising from or relating to its own breach of this Agreement. In addition, AMMO shall indemnify JR and hold JR, harmless from and against any and all claims, demands, damages, liabilities, losses and expenses (including reasonable attorneys' fees), relating directly or indirectly to the Products and the manufacturing of the Products, provided however that AMMO shall not indemnify JR against any claims, demands, damages, liabilities, losses or expenses arising from JR's gross negligence or willful misconduct. In the event of a claim hereunder, JR and AMMO agree to provide full details in writing to the other party at the earliest opportunity and

shall not settle any such matter without first consulting the other party. The indemnifying party will promptly reimburse the indemnified party for all reasonable expenses and cost incurred in defending the indemnified party. The indemnified party will have the right to select its own counsel, subject only to the indemnifying party's reasonable right of approval of any such counsel. This indemnification will survive termination of the Agreement.

14. **INSURANCE.** During the term of this Agreement, AMMO shall maintain in full force and effect commercial general liability insurance and product liability insurance , in amounts of not less than Ten Million (\$10,000,000) dollars for a single accident occurrence or in the aggregate. JR shall be named as an additional insured and AMMO shall provide JR a certificate evidencing the aforementioned insurance is in effect.

15. **DEFAULT AND TERMINATION.** If either party at any time during the Term shall (a) fail to make a required payment when due; (b) goes into voluntary or involuntary liquidation or is declared insolvent; or (c) fail to observe or perform any of the covenants, agreements or obligations under this Agreement , the non-defaulting party may terminate this Agreement if such default is not cured within thirty (30) days after the defaulting party shall have received written notice of such failure specifying in reasonable detail the nature of such default. The termination rights shall not constitute the exclusive remedy.

Upon any termination of this Agreement, AMMO shall be entitled to a transition period of twelve (12) months ("Transition Period") during which it can continue to use the Image Rights to enable it to liquidate all inventory and in-process orders for Products.

In addition to the foregoing, in the event JR engages in any conduct or activity that sheds a negative light or disparaging light on JR or AMMO, then AMMO may terminate this Agreement for cause on ten (10) days notice,

without opportunity to cure on JR's behalf AMMO shall continue to pay all applicable Royalties due to JR during the Transition Period.

- 16. LIMITED LIABILITY.** Notwithstanding anything to the contrary in this Agreement, except for AMMO's indemnification obligations in Section 13, AMMO's liability to JR shall not exceed the remuneration, excluding reimbursement of expenses, actually paid by AMMO to JR over the preceding twenty-four (24) months. In no event will AMMO be liable for any indirect, incidental, reliance, special, consequential, or punitive damages for any claim or cause of action (including negligence) arising out of or related to this Agreement, even if AMMO has been advised of the possibility of such damages.
- 17. FORCE MAJEURE.** If performance of this Agreement or any obligation under this Agreement is prevented, restricted, or interfered with by causes beyond either party's reasonable control ("Force Majeure"), and if the party unable to carry out its obligations gives the other party prompt written notice of such event, then the obligations of the party invoking this provision shall be suspended to the extent necessary by such event. The term Force Majeure shall include, without limitation, acts of God, fire, explosion, vandalism, storm or other similar occurrence, orders or acts of military or civil authority, or by natural emergencies, insurrections, riots, or wars, strikes, lock-outs, work stoppages. The excused party shall use reasonable efforts under the circumstances to avoid or remove such causes of non-performance and shall proceed to perform with reasonable dispatch whenever such causes are removed or ceased. An act or omission shall be deemed within the reasonable control of a party if committed, omitted, or caused by such party, or its employees, officers, agents, or affiliates.
- 18. ARBITRATION.** Any controversies or disputes arising

out of or relating to this Agreement shall be resolved by binding arbitration in accordance with the then-current Commercial Arbitration Rules of the American Arbitration Association. The parties shall select a mutually acceptable arbitrator knowledgeable about issues relating to the subject matter of this Agreement. In the event the parties are unable to agree to such a selection, AMMO and JR will select an arbitrator and the two arbitrators in turn shall select a third arbitrator, all three of whom shall preside jointly over the matter. The arbitration shall take place at a location that is reasonably centrally located between the parties, or otherwise mutually agreed upon by the parties. All documents, materials, and information in the possession of each party that are in any way relevant to the dispute shall be made available to the other party for review and copying no later than 30 days after the notice of arbitration is served. The arbitrator(s) shall not have the authority to modify any provision of this Agreement or to award punitive damages. The arbitrator(s) shall have the power to issue mandatory orders and restraint orders in connection with the arbitration. The decision rendered by the arbitrator(s) shall be final and binding on the parties, and judgement may be entered in conformity with the decision in any court having jurisdiction. The agreement to arbitrate shall be specifically enforceable under the prevailing arbitration law. During the continuance of any arbitration proceedings, the parties shall continue to perform their respective obligations under this Agreement.

The costs of the arbitrators shall be split between the parties appearing before the arbitrators.

19. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties, and there are no other promises or conditions in any other agreement whether oral or written concerning the subject matter of this Agreement. This Agreement supersedes any prior written or oral agreements between the parties.

20. **SEVERABILITY.** If any provision of this Agreement will be held invalid or unenforceable for any reason, the remaining provisions will continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision will be deemed to be written, construed, and enforced as so limited.
21. **ASSIGNMENT.** The rights of each party under this Agreement are personal to that party, and neither this Agreement, nor any of the rights or obligations contained herein, may be assigned (by contract, law, or otherwise) or transferred by any party without the prior, express written consent of the parties hereto. Notwithstanding the foregoing, AMMO may delegate or assign any or all of its rights under this Agreement to any of its subsidiaries or affiliates. Any purported assignment in violation of this section shall be null and void.
22. **AMENDMENT.** This Agreement may not be modified or amended except by a written document executed by an authorized representative of each party.
23. **GOVERNING LAW.** This Agreement, any amendments hereto, and any and all issues or controversies arising hereunder, shall be governed by, construed, and enforced in accordance with the laws of the State of Delaware without regard to its choice of law provisions.
24. **NOTICES.** Any notice or communication required or permitted under this Agreement shall be sufficiently given if delivered in person or by certified mail, return receipt requested, to the following addresses, or to such other address as one party may have furnished to other in writing:
(1) for JR, P.O. Box 610, Hondo TX 78861; (2) for AMMO, 6401 East Thomas, Scottsdale, AZ 85251, Attn: Fred Wagenhals.

- 25. WAIVER OF CONTACTUAL RIGHT.** The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.
- 26. RELATIONSHIP OF THE PARTIES.** Nothing contained in this Agreement shall be deemed or construed to place the parties in relationship of partners, joint venturers, principal-agent, or employer-employee, it being understood that the parties hereto are and will remain independent contractors in all respects, and neither party shall have any right to obligate or bind the other in any manner whatsoever. Nothing herein shall be deemed to provide any right or remedy to any third party.
- 27. CONSTRUCTION OF THE AGREEMENT.** The parties acknowledge that they have jointly participated in the negotiation of this Agreement and no provision of the Agreement shall be construed against, or be interpreted in favor of, either party by reason of such party having or deemed to have structured, dictated, or drafted such provision.
- 28. COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and taken together shall be construed as a single instrument. This Agreement may be executed by electronic submission and signatures on such a copy shall be deemed as an original signature.
- 29. SIGNATORIES AUTHORITY TO CONTRACT.** Each of the parties to this Agreement represent and warrant that it has the full right and power to enter into this Agreement, to perform all designated obligations; and grant all designated rights without violating the legal or equitable rights of any other party, and the execution and performance hereunder will not conflict with or result in breach of or default of any other agreement to which the party is bound

IN WITNESS WHEREOF, this Agreement is effective as of the Effective Date shown above.

AMMO, Inc.

/s/ Fred Wagenhals
Fred Wagenhals
CEO

Dated: 4-14-17

Jeff Rann - Individual

/s/ Jeff Rann
Jeff Rann - Individual

Dated: 4-14-17

SCHEDULE A

Calibers for Jeff Rann Branded Ammunition

Safari Series —
470 Nitro Express
.416 Remington
375 Win Mag
.338 Win
.300 Win.

American Hunter Series —

308 Win
30-06
7 mm Remington Mag
270 Win
243 Win
3/314393.7

CERTIFICATION

I, Fred W. Wagenhals, certify that:

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

Date: May 24, 2018

By: /s/ Fred W. Wagenhals

Name: Fred W. Wagenhals

Title: Chief Executive Officer (Principal Executive Officer)

CERTIFICATION

I, Ron Shostack, certify that:

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

Date: May 24, 2018

By: /s/ Ron Shostack

Name: Ron Shostack

Title: Chief Financial Officer (Principal Financial Officer)

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

In connection with Annual Report of AMMO, Inc. (the " Company ") on Form 10-K for the year ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Fred W. Wagenhals, Chief Executive Officer (Principal Executive Officer) of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 24, 2018

By: /s/ Fred W. Wagenhals
Name: Fred W. Wagenhals
Title: Chief Executive Officer (Principal Executive Officer)

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

In connection with Annual Report of AMMO, Inc. (the " Company ") on Form 10-K for the year ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Ron Shostack, Financial Officer (Principal Financial Officer) of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 24, 2018

By: /s/ Ron Shostack
Name: Ron Shostack
Title: Chief Financial Officer (Principal Financial Officer)