

corporate FACTS



A Micro-Cap Stock Report

April, 2007

American Ammunition

(OTC BB: AAMU)

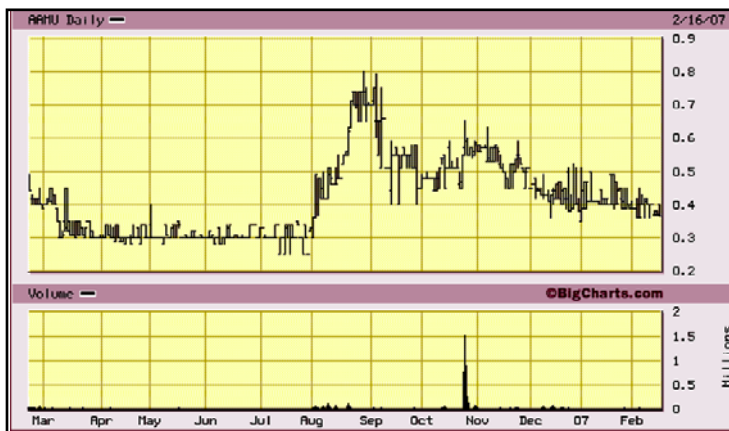
IN DEFENSE OF SMALL CAPS

Post 9/11, unprecedented growth in U.S. defense budgets alongside government weapons regulation has blown open doors for all defense-related players, but particularly for small arms and ammunitions companies, who've realized significant growth across the board. Because government regulations traditionally create spending surges for smaller defense sector companies, and budgets increases typically require substantial spending from small companies in the sector, analysts are increasingly building solid defense portfolios based on small-cap industry performers.

In fact, benchmark Spade Defense Index creator Sacknoff, whose group of defense industry stocks has outperformed the S&P 500 for six consecutive years, recently said, "The Department of Defense has rules to get money to small companies, so in a sense it is always creating new small companies...In a typical year, there are hundreds of acquisitions and mergers inside the defense sector." As a result, defense stocks have risen substantially since 1992, in part due to large government defense spending increases in recent years.

(Source: *Chicago Tribune*, Feb. 12, 2006)

STOCK INFORMATION



Business:Ammunition
Industry:Defense/Aerospace
OTC BB Symbol:AAMU
Market Price:\$0.25 (4/12/2007)
52-Week Range:\$0.25 - 1.18

Avg. Daily Volume:44,898
Shares Outstanding:28,818,372
Market Cap:\$2.10 Million
Fiscal Year End:December 31

INVESTOR FACT SHEET

STEADY AIM

A small-cap, ammunition pure play with an established operating history of nearly twenty years, but a public history of fewer than five, American Ammunition (OTC-BB: AAMU) aims to capture dominant share of the growing, small arms ammunition market. As a specialized ammunitions company with diverse offerings, AAMU autonomously develops industry-leading technologies that are uniquely distributed nationwide.

“Driven by ever-escalating defense budgets, stocks in the [defense] sector have soared since 1992. President Bush’s \$439.3 billion defense budget for fiscal 2007 includes \$84.2 billion in weapons purchases, up 8 percent from the 2006 request.”

— Andrew Leckey, Tribune Media Services

Unlike other distributors, who rely on only three major U.S. manufacturers for ammunitions production, American Ammunition manufactures virtually all of the components for its finished products and has implemented a unique marketing

and distribution strategy that creates a number of key market advantages. In recent quarters, American Ammunition has achieved sufficient funding to significantly diversify its product offerings and increase production capacity to better address existing backlog and benefit from new, high margin products for its now well-established distribution network.

DIRECT TARGETS

American Ammunition’s industry-first marketing and distribution strategy includes its proprietary Dealer Direct Program, allowing the Company to distribute and sell its own products directly to end retailers, while bypassing expensive and inefficient distributorships.

As opposed to typical methods that rely heavily on only a handful of existing primary ammunitions distributors to further sales, American Ammunition benefits from cost and operating efficiencies through its Dealer Direct Program, with immediate access to the nation’s 66,000+ direct ammunition and weapons dealers, many of whom are not adequately served by existing distributors.

In addition to substantial operating and cost efficiencies realized from sidestepping traditional distributorships, American Ammunition’s program offers thousands of the nation’s under-served individual and smaller ammunition dealers a number of benefits as well, include substantial cost savings, direct access to manufacturer support, and unique, flexible credit terms.

“The small- and mid-cap defense technology companies we focus on outperformed large caps throughout the whole cycle of upturns and downturns in defense spending.”

— Christopher Donaghey, Aerospace and Defense analyst, SunTrust Robinson Humphrey

American Ammunition passes its distributor cost savings, including lower freight and operating expenses, directly on to dealers, while offering credit terms traditionally unavailable to smaller ammunition and weapons dealers. Doing so has exponentially diversified the Company’s revenue base to mitigate the expectedly larger credit risk of offering flexible terms on an individual dealer basis.

INVESTMENT HIGHLIGHTS

Market Potential

With defense expenditures on the rise, and smaller manufacturers benefiting even in times of increasing government regulation, analysts note that small- and mid-cap defense technology companies have outperformed throughout the whole cycle of upturns and downturns in defense spending.

Upside Opportunity

AAMU benefits from an established, 20+ year operating history that has afforded product recognition and an expansive distributor network, but only now benefits from favorable funding arrangements to allow for exponential growth in the near term.



Industry-First Strategies

Unlike larger ammo companies, AAMU’s Dealer Direct Program affords immediate access to the nation’s traditional retailers as well as under-served smaller retailers, while retaining substantial control over offerings, costs and margins.

Superior Products

Recent acquisitions and strategic alliances, coupled with substantial R&D expenditures have substantially increased AAMU’s offerings to benefit from high margin, industry-leading products that meet emerging market demands.

RAPID FIRE INDUSTRY



American Ammunition competes in the historically high growth ammunition sector that is largely dominated by only a few giant domestic manufacturers, including Remington ATK and Winchester, and whose extensive corporate infrastructure and high manufacturing, production and distributor costs offer lower margins and less agile pricing capabilities than AAMU.

In contrast, American Ammunition's extensive operating history, significant R&D expenditure over the past twenty+ years, and entrenched distribution network, American Ammunition retains substantial control of production, distribution and marketing costs to ensure continued long-term growth for the Company at the lowest cost.

Recent, favorable financing terms have created a unique opportunity for AAMU to focus growth in key areas of its corporate structure to address its long-standing backlog. Recent expansion of the Company's product offerings include more than 48, higher-margin new products, which has occurred in conjunction with increased manufacturing and production capacity. Coupled with growth in American Ammunition's unique Dealer Direct Program, the Company is only now best positioned to realize benefits of recent initiatives.

BETTER BULLETS

American Ammunition's proprietary dealer distribution network, substantial cost controls and autonomous product development capabilities are developed around an extensive and ever-growing line of patented and trademarked ammunitions that meets commercial, government and private demand. In agile response to demand, the Company recently began to manufacture and distribute ECO-AMMO™, an industry first product that utilizes a lead-free projectile with reduced lead pollutants known as "green" ammo.

An environmentally friendly alternative, ECO-AMMO is ideal for indoor ranges since it disintegrates upon impact and therefore, does not ricochet or cause long-lasting damage. American Ammunition expects to capitalize on its superior, high-margin ECO-AMMO products in the near term by distributing through its established Dealer Direct Program, opening ECO-AMMO to a larger consumer demographic.

TIMING THE MARKET

Despite American Ammunition's extensive operating history, public introduction occurred fewer than five years ago. Capital financing at the time created inherent difficulties as the Company transitioned from a successful private business toward revenue growth profitability in the public sector. New, favorable financing allows a unique opportunity for AAMU to grow revenues while rapidly implementing its business plan to carve its niche in the rapid growth ammunitions industry.

In this sector, technological and operating efficiencies are driving continued growth for both the country's largest and smallest players. Yet, it's increasingly the market's smaller players who are finding that sometimes the best defense is a good offense- out performing their large cap counterparts despite industry fluctuations over all.

As a micro-cap pure play in the defense and ammunition sector that is now well positioned to implement its rapid-growth strategy, AAMU offers a unique, early-stage opportunity to own a round of small-cap innovation for forward-thinking defense and technology segments of a well-diversified portfolio.

EXPERIENCED LEADERSHIP

American Ammunition management and directors comprise some of the industry's finest ammunitions specialists. For a complete list of all AAMU management and directors and their bios, visit: www.a-merc.com

Andres Fernandez, *President and Chief Executive Officer*, is a certified tactical rappel instructor and a graduate of Omni Explosives, TN with a specialty in tactical explosives. In addition, Fernandez is certified by the Florida Department of Law Enforcement Academy in special operations/entry techniques and has served as a tactical advisor to U.S. Treasury Department, Bureau of Alcohol, Tobacco and Firearms, U.S. Customs Service and the Florida Department of Law Enforcement, for which Fernandez has received numerous commendations and letters of appreciation. Fernandez has also served on the Board of Veterans Affairs, from 1990 to 1991, and studied physics and calculus at St. Thomas University, FL and at the University of Miami, FL. Fernandez is a licensed pilot, having graduated from the American Institute of Aeronautics, FL, and received his certificate as a private pilot (fixed wing) as well as private helicopter (rotary).

Emilio Jara Vice, *President of Operations, Corporate Secretary and Director*, an extremely well versed metallurgical and ballistic issues specialist, has substantially contributed to AAMU's research and development and subsequent increase in the number of production lines. Mr. Vice studied business administration at Miami- Dade Community College and graduated from the Institute of Public Service, GA, as a Tactical Rappel Instructor. In 1990, Mr. Jara graduated from Omni Explosives, TN, with a specialty in Tactical Explosives.

Maria A. Fernandez, *Director*, is a managing partner at Fernandez Friedman Grossman & Kohn PLLC, a Louisville, KY law firm, and a former partner at Taustine Post Sotsky Berman Fineman & Kohn. Fernandez's legal practice is concentrated in estate planning, probate and administration. Fernandez also practices in the areas of Medicaid and disability planning, corporate and individual taxation and corporate law, with an emphasis on closely held corporations. She is a graduate of the University of Miami and the Brandeis School of Law at the University of Louisville. Ms. Fernandez is licensed to practice in Kentucky and Florida and regularly lectures in the areas of estate planning and probate, Medicaid planning and elder law. She is a member of the Louisville, Florida, Kentucky and American Bar Associations and is fluent in Spanish.

COMPANY CONTACTS:

American Ammunition
3545 NW 71st Street
Miami, FL 33147

Andres Fernandez
President and CEO
Ph: 888-28AMERC
Fax: 888-694-0037
info@a-merc.com

FOR COMPANY
INFORMATION
PLEASE VISIT:

www.a-merc.com

INVESTOR RELATIONS:



500 Australian Avenue South, Suite 700
West Palm Beach, FL 33401

Douglas Martin
President
Ph: 561-514-0194
Fax: 561-514-0195
dmartin@dpmartin.com

FOR MORE INFORMATION
PLEASE VISIT US AT:

www.dpmartin.com/aamu

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