UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from ________ to__________

Commission file number: 001-40867

Volcon, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**84-4882689**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2590 Oakmont Drive, Suite 520, Round Rock, TX	**78665**
(Address of Principal Executive Offices)	(Zip Code)

(512) 400-4271
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	VLCN	The NASDAQ Stock Market LLC

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

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

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

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-Accelerated Filer ☒	Smaller Reporting Company ☒
	Emerging Growth Company ☒

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

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

The registrant had 24,207,622 shares of common stock outstanding at May 9, 2022.

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PART I — FINANCIAL INFORMATION

ITEM 1. Financial Statements

VOLCON, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 13,999,965	$ 5,572,199
Accounts receivable	107,982	25,585
Inventory	3,728,446	2,209,015
Inventory deposits	1,587,656	1,981,397
Prepaid expenses and other current assets	1,749,570	1,092,860
Total current assets	21,173,619	10,881,057
Long term assets:		
Property and equipment, net	921,835	809,734
Intangible assets, net	10,172	18,053
Other long-term assets	742,263	732,810
Right of use assets - operating leases	2,199,009	2,182,612
Total assets	$ 25,046,898	$ 14,624,265
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,489,200	$ 1,454,103
Accrued liabilities	1,863,240	771,631
Accrued purchase commitments	899,194	1,506,976
Current portion of notes payable	16,961	17,201
Right of use operating lease liabilities, short term	584,083	456,207
Customer deposits	1,060,724	2,277,607
Total current liabilities	5,913,402	6,483,725
Notes payable, net of discount and current portion	64,260	68,785
Right of use operating lease liabilities, long term	1,697,983	1,767,506
Total liabilities	7,675,645	8,320,017
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred stock: $0.00001 par value, 5,000,000 shares authorized, 2,900,000 shares designated no shares outstanding	–	–
Common stock: $0.00001 par value, 100,000,000 shares authorized, 24,109,244 shares issued and outstanding as of March 31, 2022, 17,309,187 issued and outstanding as of December 31, 2021	195	128
Additional paid-in capital	67,482,925	47,803,643
Accumulated deficit	(50,111,867)	(41,499,522)
Total stockholders' equity	17,371,253	6,304,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 25,046,898	$ 14,624,265

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

VOLCON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Unaudited)

	March 31, 2022	March 31, 2021
Revenue	$ 1,184,502	$ –
Cost of goods sold	(3,527,715)	–
Gross margin	(2,343,213)	–
Operating expenses:		
Sales and marketing	1,014,906	343,279
Product development	2,495,712	1,560,115
General and administrative expenses	2,794,940	13,398,371
Total operating expenses	6,305,558	15,301,765
Loss from operations	(8,648,771)	(15,301,765)
Other income (expense)	41,117	
Interest expense	(4,691)	(17,922)
Total other expense	36,426	(17,922)
Loss before provision for income taxes	(8,612,345)	(15,319,687)
Provision for income taxes	–	–
Net loss	$ (8,612,345)	$ (15,319,687)
Net loss per common share – basic	$ (0.40)	$ (7.69)
Net loss per common share – diluted	$ (0.40)	$ (7.69)
Weighted average common shares outstanding – basic	21,745,089	1,992,160
Weighted average common shares outstanding – diluted	21,745,089	1,992,160

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

VOLCON, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(Unaudited)

	Common stock		Series A preferred stock		Series B preferred stock				
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional paid-in capital	Accumulated deficit	Total
Balance at January 1, 2021	1,937,500	$ 8	–	$ –	–	$ –	$ 232,550	$ (1,374,413)	$ (1,141,855)
Proceeds from WeFunder offering, net of issuance costs of $53,500	–	–	–	–	–	–	2,205,440	–	2,205,440
Issuance of series A preferred stock, net of issuance costs of $205,470	79,750	–	415,287	4	–	–	2,464,504	–	2,464,508
Conversion of WeFunder offering to series A preferred stock	–	–	351,832	4	–	–	(4)	–	–
Conversion of SAFE Liability to series A preferred stock	–	–	424,269	4	–	–	1,999,996	–	2,000,000
Issuance of series B preferred stock, net of issuance costs of $70,803	–	–	–	–	457,688	5	4,276,688	–	4,276,693
Stock-based compensation	–	–	–	–	–	–	13,202,878	–	13,202,878
Net loss	–	–	–	–	–	–	–	(15,319,687)	(15,319,687)
Balance at March 31, 2021	2,017,250	$ 8	1,191,388	$ 12	457,688	$ 5	$ 24,382,051	$ (16,694,100)	$ 7,687,976

VOLCON, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(Unaudited)

	Common stock		Additional		
	Number of Shares	Amount	paid-in capital	Accumulated deficit	Total
Balance at January 1, 2022	17,309,187	$ 128	$ 47,803,643	$ (41,499,522)	$ 6,304,249
Issuance of common stock for public offering, net of issuance costs of $1,910,883	6,666,667	67	18,089,117	–	18,089,184
Issuance of common stock for exercise of warrants	6,247	–	–	–	–
Issuance of common stock for exercise of stock options and restricted options	82,520	–	15,000	–	15,000
Stock-based compensation	44,623		1,575,165	–	1,575,165
Net loss	–	–	–	(8,612,345)	(8,612,345)
Balance at March 31, 2022	24,109,244	$ 195	$ 67,482,925	$ (50,111,867)	$ 17,371,253

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

VOLCON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Unaudited)

	March 31, 2022	March 31, 2021
Cash flow from operating activities:		
Net loss	$ (8,612,345)	$ (15,319,687)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	1,575,165	13,202,878
Loss on disposal of tooling	–	140,000
Write off of intangible assets	6,427	–
Amortization of right of use assets	158,672	19,946
Depreciation and amortization	112,980	15,053
Changes in operating assets and liabilities:		
Accounts receivable	(82,397)	(21,455)
Inventory	(1,519,431)	(172,890)
Inventory deposits	393,741	(394,451)
Prepaid assets and other current assets	(656,709)	67,582
Other assets	(9,453)	(657,449)
Accounts payable	35,097	85,164
Accrued liabilities	483,830	–
Right of use liabilities - operating leases	(116,716)	(36,135)
Customer deposits	(1,216,883)	74,250
Net cash provided by (used in) operating activities	(9,448,022)	(2,997,194)
Cash flow from investing activities:		
Purchase of property and equipment	(223,632)	(107,701)
Purchase of intangible assets	–	(20,501)
Net cash used by investing activities	(223,632)	(128,202)
Cash flow from financing activities:		
Repayment of notes payable	(4,764)	(1,795)
Proceeds from WeFunder offering, net of offering costs of $53,500	–	2,205,440
Proceeds from issuance of Series A preferred stock, net of $205,470 of issuance costs	–	2,464,508
Proceeds from issuance of Series B preferred stock, net of $890,026 of issuance costs	–	4,276,693
Proceeds from issuance of common stock from public offering, net of issuance costs of $1,910,803	18,089,184	–
Proceeds from exercise of stock options	15,000	–
Net cash provided by financing activities	18,099,420	8,944,846
NET CHANGE IN CASH	8,427,766	5,819,449
CASH AT BEGINNING OF PERIOD	5,572,199	536,082
CASH AT END OF PERIOD	$ 13,999,965	$ 6,355,531

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

VOLCON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Unaudited)

	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 3,060	$ 14,946
Cash paid for income taxes	$ –	$ –
Non-cash transactions		
Conversion of SAFE liability to Series A preferred stock	$ –	$ 2,000,000

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

VOLCON, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – ORGANIZATION, NATURE OF OPERATIONS AND GOING CONCERN

Organization and Nature of Operations

Volcon, Inc. ("Volcon") was formed on February 21, 2020, as a Delaware Corporation, under the name Frog ePowersports, Inc. The Company was renamed Volcon on October 1, 2020. Volcon is a developer and manufacturer of all-electric off road powersport vehicles.

On January 5, 2021, the Company created Volcon ePowersports, LLC, ("Volcon LLC") a Colorado wholly owned subsidiary of the Company, to sell Volcon vehicles and accessories in the United States.

Going Concern

The accompanying interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has recurring losses and has generated negative cash flows from operations since inception and will need to obtain additional funding in 2022 to continue its operations. Due to these conditions, this raises substantial doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans or the sale of equity. The consolidated financial statements do not include any adjustments that may result should the Company be unable to continue as a going concern.

Impact of COVID-19

The outbreak of the 2019 novel coronavirus disease ("COVID-19"), which was declared a global pandemic by the World Health Organization on March 11, 2020, and the related responses by public health and governmental authorities to contain and combat its outbreak and spread, has severely impacted the U.S. and world economies. Economic recessions, including those brought on by the COVID-19 outbreak may have a negative effect on the demand for the Company's products and the Company's operating results. The range of possible impacts on the Company's business from the coronavirus pandemic could include: (i) changing demand for the Company's products; (ii) potential disruption to the Company's supply chain and distribution network; and (iii) disruption in the production of the Company's vehicles due to employee illness or government regulations regarding social distancing and workplace requirements.

Impact of Russia and Ukraine Conflict

On February 24, 2022, Russia invaded Ukraine. The conflict between Russia and Ukraine could impact the availability of nickel, an element used in the production of lithium ion cells used in batteries that power our vehicles. The shortage of these cells could have an impact on our ability to produce vehicles to meet our customers' demands. In addition, sanctions against Russia could impact the price of elements, including nickel, that are used in the production of batteries which would result in higher costs to produce our vehicles. These sanctions have also impacted the U.S. and global economy and could result in an economic recession which could cause a broader disruption to the Company's supply chain and distribution network and customer demand for our products.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Unaudited Financial Information

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the Securities and Exchange Commission ("SEC") on March 23, 2022. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been omitted from this report on Form 10-Q pursuant to the rules and regulations of the SEC.

Results for the interim periods in this report are not necessarily indicative of future financial results and have not been audited by our independent registered public accounting firm. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments necessary to present fairly our interim consolidated financial statements as of March 31, 2022 and December 31, 2021, and for the three months ended March 31, 2022 and 2021. These adjustments are of a normal recurring nature and consistent with the adjustments recorded to prepare the annual audited consolidated financial statements as of December 31, 2021.

Basis of presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany accounts, transactions and balances have been eliminated in consolidation.

Stock Dividend

On July 27, 2021, the board of directors approved a common stock dividend of 1.5 shares for each share of common stock. The Company has accounted for this as a stock split since all common stock shares, warrants, options and restricted stock unit amounts and common stock per share amounts have been adjusted for this stock dividend. All periods presented have been adjusted to reflect this stock dividend. As a result of the stock dividend, Series A and Series B preferred stock converted at a ratio of 2.5 common shares for each preferred share outstanding upon completion of the Company’s initial public offering completed in October 2021.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities as of the dates of the financial statements and the reported amounts of expenses during the reporting periods.

Making estimates requires management to exercise judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, actual results could differ significantly from those estimates.

Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less at the date of purchase. The recorded value of our cash and cash equivalents approximates their fair value.

Revenue recognition

For sales directly to consumers, revenue is recognized when the Company transfers control of the product to the customer and the 14-day acceptance period has expired, or earlier acceptance has been received from the customer. For sales to dealers or distributors revenue is recognized when transfer of control of the product is made. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring control of vehicles, parts, and accessories. Consideration that is received in advance of the transfer of goods is recorded as customer deposits until delivery has occurred or the customer cancels their order and the consideration is returned to the customer. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. If a right of return exists, the Company adjusts revenue for the estimated effect of returns. Until the Company develops sales history, it will estimate expected returns based on industry data for sales returns as a percent of sales, type of product, and a projection of this experience into the future. The Company's sales do not have a financing component.

Sales promotions and incentives. The Company provides for estimated sales promotions and incentives, which are recognized as a component of sales in measuring the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Examples of sales promotion and incentive programs include distributor fees, dealer co-op advertising and volume incentives. Sales promotions and incentives are estimated based on contractual requirements. The Company records these amounts as a liability in the balance sheet until they are ultimately paid. Adjustments to sales promotions and incentives accruals are made as actual usage becomes known to properly estimate the amounts necessary to generate consumer demand based on market conditions as of the balance sheet date.

Shipping and handling charges and costs. The Company records shipping and handling charged to the customer and related shipping costs as a component of cost of sales when control has transferred to the customer.

Product warranties

The Company provides a one-year warranty on vehicles, and a two-year warranty on the battery pack. The Company accrues warranty reserves at the time revenue is recognized. Warranty reserves include the Company's best estimate of the projected cost to repair or to replace any items under warranty, based on actual warranty experience as it becomes available and other known factors that may impact the evaluation of historical data. The Company reviews its reserves quarterly to ensure that the accruals are adequate to meet expected future warranty obligations and will adjust estimates as needed. Factors that could have an impact on the warranty reserve include the following: changes in manufacturing quality, shifts in product mix, changes in warranty coverage periods, product recalls and changes in sales volume. Warranty expense is recorded as a component of cost of goods sold in the statement of operations and is recognized as a current liability.

Inventory and Inventory Deposits

The Company purchases parts and assembles the Grunt in a leased facility. Raw materials inventory costs include the cost of parts, including duties, tariffs and shipping. Work in process and finished goods include the cost of parts, labor and manufacturing overhead costs associated with the assembly of the vehicle. Finished goods also include accessories for the vehicle and branded merchandise such as hats and shirts.

Certain vendors require the Company to pay an upfront deposit before they will manufacture and ship our parts or accessories. These payments are classified as inventory deposits in the balance sheet until title and risk of loss transfers to the Company, at which time they are classified as inventory.

Inventories and inventory deposits are stated at the lower of cost (first-in, first-out method) or net realizable value.

Property and equipment

Property and equipment are valued at cost. Additions are capitalized and maintenance and repairs are charged to expense as incurred. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated Useful Lives
Machinery, tooling and equipment	3-7 years
Vehicles	5 years
Internal use manufactured vehicles	1 year
Furniture & Fixtures	5 years
Computers	3 years

Leasehold improvements are depreciated over the shorter period of their estimated useful life or term of the lease.

Intangible assets

Intangible assets include acquired domain names and software. Domain names are amortized over 15 years and software is amortized over the life of the shorter of the software term or three years.

Long-lived assets

The Company’s long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the historical carrying cost value of an asset may no longer be appropriate. The Company assesses recoverability of the asset by comparing the undiscounted future net cash flows expected to result from the asset to the carrying value. If the carrying value exceeds the undiscounted future net cash flows of the asset, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived asset.

Leases

Right-of-use (“ROU”) assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company does not separate non-lease components from the lease components to which they relate, and instead accounts for each separate lease and non-lease component associated with that lease component as a single lease component.

ASC 842 defines initial direct costs as only the incremental costs of signing a lease. Initial direct costs related to leasing that are not incremental are expensed as general and administrative expense in our statements of operations.

The Company’s operating lease agreements primarily consist of leased real estate and are included within ROU assets – operating leases and ROU lease liabilities – operating leases on the balance sheets. The Company’s lease agreements may include options to extend the lease, which are not included in minimum lease payments unless they are reasonably certain to be exercised at lease commencement. The Company's leases do not provide an implicit rate, the Company uses its estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Research and development expenses

The Company records research and development expenses in the period in which they are incurred as a component of product development expenses.

Income taxes

Deferred taxes are determined utilizing the "asset and liability" method, whereby deferred tax asset and liability account balances are determined based on the differences between financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, when it's more likely than not that deferred tax assets will not be realized in the foreseeable future. Deferred tax liabilities and assets are classified as current or non-current based on the underlying asset or liability or if not directly related to an asset or liability based on the expected reversal dates of the specific temporary differences.

Fair value of financial instruments

The Company discloses fair value measurements for financial and non-financial assets and liabilities measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets but are corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Stock-based compensation

The Company has a stock-based incentive award plan for employees, consultants and directors. The Company measures stock-based compensation at the estimated fair value on the grant date and recognizes the amortization of stock-based compensation expense on a straight-line basis over the requisite service period, or when it is probable criteria will be achieved for performance-based awards. Fair value is determined based on assumptions related to the fair value of the Company common stock, stock volatility and risk-free rate of return. The Company has elected to recognize forfeitures when realized.

Recently issued accounting pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standard Board (“FASB”) or other standard setting bodies that the Company adopts as of the specified effective date. The Company does not believe that the impact of recently issued standards that are not yet effective will have a material impact on the Company’s financial position or results of operations upon adoption.

NOTE 3 – INVENTORY

Inventory consists of the following:

	March 31, 2022	December 31, 2021
Raw materials	$ 2,968,263	$ 1,822,306
Work in process	187,476	45,444
Finished goods	572,707	341,265
Total inventory	$ 3,728,446	$ 2,209,015

The Company has purchase commitments for future payments due for inventory where initial deposits were paid as of March 31, 2022. The total additional payments due subsequent to March 31, 2022 are $1,774,960.

NOTE 4 – LONG – LIVED ASSETS

Property and equipment

Property and equipment consist of the following:

	March 31, 2022	December 31, 2021
Machinery, tooling and equipment	$ 598,954	$ 554,378
Vehicles	156,648	148,460
Internal use manufactured vehicles	134,558	73,500
Fixtures & furniture	91,252	75,935
Leasehold improvements	91,212	60,248
Computers	128,130	88,610
	1,200,754	1,001,130
Less: Accumulated depreciation	(278,919)	(191,397)
Total property and equipment	$ 921,835	$ 809,734

Depreciation expense for the three months ended March 31, 2022 and 2021 was $111,527 and $14,328, respectively.

Intangible assets

Intangible assets consist of the following:

	March 31, 2022	December 31, 2021
Domain names	$ 17,438	$ 17,438
Software	–	13,125
	17,438	30,563
Less: Accumulated amortization	(7,266)	(12,510)
Total intangible assets	$ 10,172	$ 18,053

Amortization expense for the three months ended March 31, 2022 and 2021 was $1,453 and $725, respectively.

NOTE 5 – NOTES PAYABLE

Notes Payable

In December 2020, the Company entered into a financing arrangement for $75,702 with an interest rate of 8.64% for a vehicle. The Company will make monthly payments of $1,211 over 72 months. In April 2021, the Company entered into a financing arrangement for $30,942 with an interest rate of 7.64% for a vehicle. The Company will make monthly payments of $753 over 48 months.

The following table provides the maturities of these notes payable as of March 31, 2022:

Remainder of 2022	$	17,764
2023		23,685
2024		23,685
2025		17,664
2026		14,654
Total future payments		97,452
Less: Interest		(15,634)
Total notes payable		81,818
Less current portion		(16,961)
Long-term notes payable	$	64,857

NOTE 6 – RELATED PARTY TRANSACTIONS

The Company subleased warehouse and office space on a month to month basis from a company owned by a consultant who was also the Company's former Chief Operating Officer and his spouse. Monthly rent was $11,120 and the Company could cancel the lease with a 90-day cancellation notice. In May 2021, the consultant became a salaried employee of the Company, however, in December 2021, the employee resigned from the Company. As of December 31, 2021, the Company continued to rent the warehouse and office space under the same terms.

In January 2022, the Company executed a lease assignment with the ultimate landlord of this facility. The lease will expire on December 31, 2023 and the monthly lease payment will be approximately $9,800. The Company paid the former Chief Operating Officer $15,317 to reimburse him for the security deposit on the lease of $9,453 plus $5,864 for leasehold improvements and equipment he installed in the facility. Total expense recognized to this related party for this lease for the three months ended March 31, 2022 and 2021 was $11,120 and $33,360, respectively.

In November 2020, the Company entered into an operating lease with an entity controlled by the Company's two founders for its future headquarters and production facility in Liberty Hill, Texas. The lease has a lease term of 5 years, and monthly payments ranging from approximately $15,000 per month to $17,000 per month over the lease term. In February 2021, the Company entered into an amendment of the lease related to its future headquarters to expand the leased premises. The Company paid an additional security deposit of $139,230 and additional prepaid rent of $315,588. The total minimum lease payments under the amended lease total approximately $3,930,170.

In October 2021, the Company began discussions for an additional amendment to the lease, in anticipation of manufacturing the Stag at this location, which would result in the monthly payment increasing to $100,000 for the first year of the lease and increasing annually throughout the term of the lease to $107,000 in the final year. Monthly payments for the initial lease and the amended agreement begin at the time a certificate of occupancy is received by the landlord.

The Company evaluated the cost of this facility in relation to other lower cost options, including having a third-party manufacture the Stag, and determined that it would be in the best interest of the Company to terminate this agreement and informed the landlord that we would be terminating the lease on April 27, 2022. The Company is currently in negotiations to determine the amount of the security deposit and prepaid rent that will be returned to the Company as certain survey, architecture and construction design costs were incurred that will be paid by the Company.

In June 2021, the Company entered into an agreement with a company controlled by the Company's Chairman and founding stockholder to lease office space for $2,000 per month for a period of one year. Total expense recorded for this lease for the three months ended March 31, 2022 was $6,000.

On August 28, 2020, the Company entered into consulting agreements with Pink Possum, LLC ("Pink Possum") an entity controlled by Mr. Okonsky, and Highbridge Consultants, LLC ("Highbridge"), an entity controlled by Mr. James, pursuant to which Messrs. Okonsky and James provide the Company with services. In consideration for entering into the consulting agreements, the Company issued the two entities ten-year warrants to purchase the Company's common stock at an exercise price of $0.004 per share. The number of shares of common stock issuable pursuant to the warrants was based on the number of shares of the Company's common stock outstanding at the time of exercise and provided that Pink Possum and Highbridge would receive 18.75% and 25%, respectively, of the Company's shares of common stock outstanding at the time of exercise on a fully diluted basis. On March 26, 2021 and March 25, 2021, respectively, Pink Possum and Highbridge entered into amendments to the consulting agreements agreeing to exchange the original warrants for new ten-year warrants to purchase 4,750,000 and 6,250,000 shares, respectively, of common stock at an exercise price of $0.98. During the quarter ended March 31, 2021, the Company recognized compensation expenses of $5.6 million and $7.4 million for the warrants issued to Pink Possum and Highbridge, respectively. On December 20, 2021, Highbridge exercised all of its warrants on a cashless basis and the Company issued 5,507,575 shares of common stock to Highbridge.

In addition, pursuant to the consulting agreements, upon the occurrence of a Fundamental Transaction (as defined below) for an aggregate gross sales price of $100.0 million or more, each entity will receive a cash payment equal to 1% of such gross sales price. For the purposes of the consulting agreements, "Fundamental Transaction" means any of the following: (i) a consolidation or merger involving the Company if the holders of the voting securities of the Company that are outstanding immediately prior to the consummation of such consolidation or merger do not, immediately after the consummation of such consolidation or merger, hold voting securities that collectively possess at least a majority of the voting power of all the outstanding securities of the surviving entity of such consolidation or merger or such surviving entity's parent entity; (ii) a transfer or issuance (in a single transaction or series of related transactions) by one or more of the Company and its stockholders to one person or to any group of persons acting in concert, of shares of the Company's capital stock then collectively possessing 50% or more of the voting power of all then outstanding shares of the Company's capital stock (computed on an as-converted to common stock basis); or (iii) any sale, license, lease, assignment or other disposition of all or substantially all of the assets of the Company. Furthermore, commencing upon the completion of the Company's initial public offering of the shares of our common stock, if the Company's market capitalization exceeds $300.0 million for a period of 21 consecutive trading days, each of the entities will receive an additional cash payment equal to $15.0 million; provided that the Company will have the right, in its sole discretion, to make the foregoing $15.0 million payment by the issuance of shares of the Company's common stock. The foregoing amounts will be payable to the entities if the above milestones occur any time prior to the ten-year anniversary of original consulting agreements, or August 28, 2030.

Also *see "Note 7 -- Stockholders' Equity"* for a further discussion of the warrants issued to Pink Possum and Highbridge.

NOTE 7 – STOCKHOLDERS' EQUITY

The Company is authorized to issue up to 100,000,000 shares of common stock with a par value of $0.00001. In addition, the Company is authorized to issue 5,000,000 shares of preferred stock with a par value of $0.00001. The specific rights of the preferred stock, when so designated, shall be determined by the board of directors.

Common stock

In October 2021, the Company completed its initial public offering and sold 3,226,875 shares of common stock for net proceeds of approximately $15.9 million. Total issuance costs were $2,949,882 including the issuance of fully vested warrants to purchase 162,594 shares of the Company's common stock with a five year exercise term at an exercise price of $6.88 per share to the underwriter of the initial public offering which were valued at $981,871. Upon completion of the initial public offering all shares of preferred stock were converted to common stock. The total shares of common stock issued upon conversion of preferred stock were 5,743,175.

On February 1, 2022, the Company sold 6,666,667 shares of its common stock in a public offering at $3.00 per share. The Company received net proceeds of $18,089,184 after underwriter commissions and expenses of $1,910,803. The underwriter was also issued a warrant to purchase 333,334 shares of the Company's common stock at an exercise price of $3.75 per share that expires five years from the date of issuance.

The underwriting agreement provided the underwriter with the option to sell an additional 1,000,000 shares (the "Overallotment") which can be sold for up to 45 days subsequent to the completion of the offering at $3.00 per share. The underwriter did not exercise the option for the Overallotment.

The Company's officers and directors agreed not to sell any shares for 90 days following this offering. The Company has agreed not to issue any shares for a period of twelve months following the offering, other than for the purposes of shares issued related to the 2021 Plan or for an acquisition or merger, without the consent of the underwriter.

SAFE Agreements

During the period ended December 31, 2020, the Company entered into SAFE agreements (Simple Agreement for Future Equity) with investors through an exchange for cash investments totaling $2,000,000. Upon a future equity financing, the SAFE agreements would convert into the same securities in that equity financing at the lower of the price per share of the funding, or a price per share based on a $5 million company valuation using a fully diluted common stock basis. The SAFE agreements had no interest rate or maturity date, and the SAFE investors had no voting right prior to conversion. The SAFE agreements were recorded as a liability of $2,000,000 as of December 31, 2020. In January 2021, upon closing of the Series A preferred stock offering discussed below, the amount invested under these SAFE agreements were converted into 424,269 shares of Series A Preferred Stock.

In January 2021, the Company completed a WeFunder SAFE offering which was convertible into shares of the Company's preferred stock upon specified future financing events. The Company received gross proceeds of $2,258,940 and paid expenses of $53,500, reflected as costs of capital. In connection with the Series A Preferred stock offering as discussed below, the WeFunder SAFE investments were converted into 351,832 shares of Series A Preferred Stock.

Preferred Stock

In 2021, the Company designated 1,400,000 shares of preferred stock as Series A Preferred Stock. The Series A Preferred Stock had a par value of $0.0001, had no voting rights, no dividends and each share would automatically convert into 2.5 shares of common stock of the Company at the time of the Company's initial public offering. In February 2021, the Company completed an offering of 415,287 shares of Series A Preferred Stock and received gross proceeds of $2,669,978. The Company paid expenses of $205,470 related to the offering including issuing to one financial broker dealer 79,750 shares of common stock and 79,775 fully vested warrants with a 5 year exercise term to purchase common stock with an exercise price of $2.57 valued at $49,743.

In 2021, the Company designated 1,500,000 shares of preferred stock as Series B Preferred Stock, with a par value of $0.00001 per share and a stated value of $9.50 per share. The Series B Preferred Stock would receive dividends equivalent to any such dividends paid on common stock in the future, had no voting rights, and each share would automatically convert into 2.5 shares of common stock upon completion of the Company's initial public offering. As of March 31, 2021, the Company completed the sale of 457,688 shares of Series B Preferred stock and received gross proceeds of $4,347,495 and paid expenses of $70,802. In May 2021, the Company completed the remaining sale of 648,139 shares of Series B Preferred Stock and received gross proceeds of $6,157,842 for these shares and paid expenses of $819,224. The Company issued 123,296 shares of common stock and 197,277 fully vested warrants to purchase common stock with a 5 year exercise term and an exercise price of $3.80 valued at $182,281 to two financial brokers who assisted the Company with this offering.

As noted above, the Series A and Series B Preferred stock was converted to shares of common stock upon the closing of the Company's initial public offering in October 2021.

Warrants

During the year ended December 31, 2021, the Company issued fully vested warrants to purchase 150,000 shares of the Company's common stock to consultants with exercise prices ranging from $0.245 - $1.00 which expire 10 years from the date of issuance. The Company valued the warrants using an estimated fair value of the shares of common stock between $0.76 – $1.18, volatility of 105% based on peer companies, risk free interest rate of 0.85%, no dividends and an estimated life of 5 years. During the year ended December 31, 2021, certain warrant holders, including those from the Series A and Series B Preferred stock offerings, exercised warrants representing 317,018 shares of common stock, primarily on a cashless basis, and the Company issued 236,220 shares of common stock as settlement for these warrants. Total proceeds received from warrant exercises occurring in the year ended December 31, 2021 was $6,250.

Entities controlled by the Company's two founders, who are both directors and one of which is the Chairman of the Board, each entered into an anti-dilution warrant with the Company. In the event of their ownership of the Company's fully diluted capitalization being less than 25% or 18.75%, each individual would have received common stock warrants with an exercise price of $0.0041 to purchase sufficient shares to return them to those ownership percentages. The warrants were fully vested upon grant and have an exercise period of 10 years from the date of grant. As of December 31, 2020, no warrants were owed to the two founders. As discussed below, subsequent to December 31, 2020, the anti-dilution warrants were exchanged for a fixed number of warrants.

In March 2021, the Company agreed to exchange the two anti-dilution warrants that were issued to entities controlled by the Company's two founders for a total of 11,000,000 warrants to purchase shares of common stock at an exercise price of $0.98 for a period of 10 years. In connection with this exchange, the Company amended its existing consulting agreements with the entities controlled by the founders, to allow for the payment of compensation totaling $30,000,000 in the event that the Company's market capitalization exceeds $300,000,000 for 21 consecutive trading days. The Company will have the option to settle the amount by issuing shares of common stock based on the closing price of the Company's stock at the start of the 21-day period. In addition to this payment, each of entities controlled by the two founders will continue to receive a cash payment equal to 1% of the gross sale price in the event of a change of control of the Company with a sale price of at least $100,000,000. In connection with the exchange, the Company recognized expense of $13,031,989 for the estimated fair value of the warrants on a Black-Scholes option pricing model utilizing the following assumptions: 1) volatility of 106% based on a peer group of companies; 2) risk-free rate of 1.67%; 3) dividend rate of 0.0%; and 4) an expected term of 10 years. In December 2021, the entity controlled by one of the founders exercised its warrants on a cashless basis and the Company issued 5,507,575 shares of common stock.

During the three months ended March 31, 2022 and 2021, the Company recognized expense of $7,302 and $13,098,176 respectively related to common stock warrants. No additional expense will be recognized in the future for any warrants outstanding as of March 31, 2022.

The following is the activity related to common stock warrants during the three months ended March 31, 2022:

	Common Stock Warrants			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life in years	Intrinsic Value
Outstanding at January 1, 2022	5,174,209	$ 1.16		
Granted	333,334	3.75		
Canceled	–	–		
Expired	–	–		
Exercised	(6,250)	$ 0.004		
Outstanding at March 31, 2022	5,501,293	$ 1.31	8.53	$ 4,749,456
Exercisable at March 31, 2022	5,501,293	$ 1.31	8.53	$ 4,749,456

NOTE 8 – STOCK-BASED COMPENSATION

In January 2021, the Company's board of directors adopted the Volcon, Inc. 2021 Stock Plan, (the "2021 Plan"). The 2021 Plan is a stock-based compensation plan that provides for discretionary grants of stock options, stock awards, and restricted stock unit awards to employees, members of the board of directors and consultants (including restricted stock units issued prior to the adoption of the plan as further discussed below). The Company has reserved a total of 3,000,000 shares of the Company's common stock for issuance under the 2021 Plan, which may be adjusted for changes in capitalization and certain corporate transactions. To the extent that an award, if forfeitable, expires, terminates or lapses, or an award is otherwise settled in cash without the delivery of shares of common stock to the participant, then any unpaid shares subject to the award will be available for future grant or issuance under the 2021 Plan. Shares available for issuance under the 2021 Plan as of March 31, 2022, were 97,219. Awards vest according to each agreement and as long as the employee remains employed with the Company or the consultant continues to provide services in accordance with the terms of the agreement. The Company has granted awards with time-based vesting and performance-based vesting features.

Restricted Stock Units

The following is the restricted stock unit activity for the three months ended March 31, 2022:

Outstanding January 1, 2022	350,000
Granted	35,000
Vested	–
Canceled	(50,000)
Outstanding March 31, 2022	335,000

In January 2022, the Company modified the vesting terms of 100,000 RSUs that had vested as of December 31, 2021 to extend the vesting through May 15, 2022. The Company granted an additional 25,000 RSUs to the holders of these RSUs that vesting was extended and these additional RSUs will also vest as of May 15, 2022. The Company will record additional expenses of $1,126,250 during 2022 related to these modifications. The remaining 25,000 shares that were vested as of December 31, 2021 were issued in January 2022. In January 2022, the Company granted 10,000 RSUs that vested over 3 months (vesting began in December 2021), to a consultant.

During the three months ended March 31, 2022 and 2021, the Company recognized expenses of $316,887 and $99,181, respectively, for RSUs. The Company expects to recognize additional compensation expenses of $396,087 related to RSUs assuming all awards outstanding at March 31, 2022 will vest.

Performance shares

In January 2021, the Board of Directors authorized 250,000 common shares to be reserved under the 2021 Plan for issuance to employees upon achieving multiple Company performance milestones. The allocation of the number of shares to be awarded was to be determined upon achievement of all the milestones. In July 2021, the Compensation Committee of the Board of Directors approved a grant of 162,507 shares since some of the performance milestones were met. The Company recognized share-based compensation expense of $594,775 related to the grant of these shares.

The remaining 87,493 shares not awarded in July 2021 were available for issuance to employees based upon achieving multiple Company performance milestones for the second half of 2021. On March 1, 2022, the Compensation Committee of the Board of Directors approved a grant of 44,623 shares for the achievement of some of the Company's performance milestones, and the Company recognized share-based compensation expenses of $82,050 related to the grant of these shares in the quarter ended March 31, 2022.

Stock Options

The following summarizes activity relating to common stock options to employees and consultants for services during the three months ended March 31, 2022:

	Common Stock Options			
	Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Life in years**	**Intrinsic Value**
Outstanding at January 1, 2022	1,964,045	$ 3.33		
Granted	605,704	$ 6.91		
Forfeited	(177,500)	$ 1.12		
Exercised	(22,520)	$ 1.00		
Outstanding at March 31, 2022	2,369,729	$		$
Exercisable at March 31, 2022	69,980	$	9.46	$ 736,710

The Company valued the options using an estimated fair value of the shares of common stock between $0.98 – $5.00, volatility between 71% - 105% based on peer companies, risk free interest rate between 0.77% - 0.85%, no dividends and an estimated life of 6 years. During the three months ended March 31, 2022 and 2021, the Company recognized expense of $1,168,926 and $5,521, respectively, related to common stock options. The Company expects to recognize additional compensation expense of $4,997,997 related to these common stock options assuming all awards vest.

Total stock-based compensation recorded for the three months ended March 31, 2022 and 2021 for all stock based compensation awards, including warrants, has been recorded as follows:

	2022	2021
Cost of Goods Sold	$ 222,507	$ –
Sales and Marketing	273,326	47,726
Product Development	346,144	26,757
General and Administrative	733,188	13,128,395
Total	$ 1,575,165	$ 13,202,878

NOTE 9 – LOSS PER COMMON SHARE

The basic net loss per common share is calculated by dividing the Company's net loss available to common shareholders by the weighted average number of common shares during the year. The diluted net loss per common share is calculated by dividing the Company's net loss available to common shareholders by the diluted weighted average number of common shares outstanding during the year. The diluted weighted average number of common shares outstanding is the basic weighted number of common shares adjusted for any potentially dilutive debt or equity. Common shares consisting of common stock warrants, stock options and restricted stock units totaling 8,206,032 and 12,151,590 shares as of March 31, 2022 and 2021, respectively, were excluded from the calculation of diluted net loss per share due to their antidilutive effect. There were no dilutive instruments outstanding as of March 31, 2022 or 2021.

	Three months ended March 31, 2022	Three months ended March 31, 2021
Numerator:		
Net loss	$ 8,612,344	$ 15,319,687
Denominator:		
Denominator for basic and diluted net loss per common share - weighted average of common shares	21,745,089	1,992,160
Basic and diluted net loss per common share	$ (0.40)	$ (7.69)

NOTE 10 – INCOME TAXES

Deferred taxes are determined by applying the provisions of enacted tax laws and rates for the jurisdictions in which the Company operates to the estimated future tax effects of the differences between the tax basis of assets and liabilities and their reported amounts in the Company's financial statements. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that the related tax benefits will not be realized.

Due to losses since inception and for all periods presented, no income tax benefit or expense has been recognized as a full valuation allowance has been established for any tax benefit that would have been recognized for the loss in any period presented.

Significant components of the Company's deferred tax assets and liabilities at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022	December 31, 2021
Deferred tax assets		
Net operating losses	$ 6,480,303	$ 5,078,075
Depreciation and amortization	58,216	46,030
Research & development credit	592,276	592,276
Lease liability	479,234	466,980
Stock-based compensation	3,156,912	2,872,973
Accrued expenses	579,445	478,171
Other	336	336
Total	11,346,722	9,534,840
Valuation allowance	(10,884,930)	(9,076,492)
Net deferred tax asset	461,792	458,348
Deferred tax liabilities		
Right of use assets	(461,792)	(458,348)
Total net deferred taxes deferred tax liabilities	$ –	$ –

Management currently believes that since the Company has a history of losses it is more likely than not that the deferred tax regarding the loss carry forwards and other temporary differences will not be realized in the foreseeable future. The Company believes that carryforward limitations will be applied to the historical net operating losses due to the recent change of control transition. The Company's cumulative net operating loss carry forward of approximately $30,858,584 as of March 31, 2022, may be limited in future years depending on future taxable income in any given fiscal year. The net operating losses can be carried forward indefinitely.

The Company has recorded no liability for income taxes associated with unrecognized tax benefits at the date of adoption and has not recorded any liability associated with unrecognized tax benefits. Accordingly, the Company has not recorded any interest or penalty in regard to any unrecognized benefit.

NOTE 11 – LEASES

The components of lease cost for operating leases for the three months ended March 31, 2022 and 2021 were as follows:

	2022	2021
Lease Cost		
Operating lease cost	$ 158,672	$ 37,025
Short-term lease cost	17,120	33,360
Variable lease cost	–	–
Sublease income	–	–
Total lease cost	$ 175,792	$ 70,385

Supplemental cash flow information related to leases for the three months ended March 31, 2022, was as follows:

	March 31, 2022
Other Lease Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 116,716

The following table summarizes the lease-related assets and liabilities recorded on the balance sheet at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Lease Position		
Operating Leases		
Operating lease right-of-use assets	$ 2,199,009	$ 2,182,612
Right of use liabilities operating leases short term	584,083	456,207
Right of use liabilities operating leases long term	1,697,983	1,767,506
Total operating lease liabilities	$ 2,282,066	$ 2,223,713

The Company utilizes the incremental borrowing rate in determining the present value of lease payments unless the implicit rate is readily determinable. The Company recognized an initial right of use asset and lease liability of $143,540 for leases entered into during the three months ended March 31, 2022.

Lease Term and Discount Rate	
Weighted-average remaining lease term (years)	
Operating leases	3.4
Weighted-average discount rate	
Operating leases	5.5%

The following table provides the maturities of lease liabilities at March 31, 2022:

	Operating Leases
Remainder of 2022	$ 655,456
2023	1,184,013
2024	1,143,179
2025	1,117,782
2026	922,774
Total future undiscounted lease payments	5,023,204
Less: Interest	(557,898)
Present value of lease liabilities	$ 4,465,306

Note that amounts above include future payments for a lease signed as of December 31, 2021 related to a facility to be constructed in Liberty Hill, Texas by an entity associated with the Company's founders (see Note 6)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended as a review of significant factors affecting the Company's financial condition and results of operations for the periods indicated. This discussion and analysis should be read in conjunction with the financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K, which contains audited financial statements of the Company as of and for the year ended December 31, 2021, previously filed with the Securities and Exchange Commission. Results for the three months ended March 31, 2022 are not necessarily indicative of results for the year ending December 31, 2022 or any future period.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on form 10-Q, together with other statements and information publicly disseminated by the Company, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions.

In addition, from time to time, we or our representatives may make forward-looking statements orally or in writing. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance, including: our financial performance and projections; our growth in revenue and earnings; and our business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "hopes" or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including: our ability to change the direction of the Company; our ability to keep pace with new technology and changing market needs; our capital needs, and the competitive environment of our business. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this document and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us. We are not obligated to publicly update or revise any forward-looking statement, whether as a result of uncertainties and assumptions, the forward-looking events discussed in this document and other statements made from time to time by us or our representatives might not occur.

While we believe we have identified material risks, these risks and uncertainties are not exhaustive. Other sections of this Form 10-Q describe additional factors that could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this Form 10-Q to conform our prior statements to actual results or revised expectations, and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about:

- our ability to obtain additional funding to produce, market and sell our vehicles and develop new products;
- our ability to produce our vehicles with sufficient scale and quality to satisfy customers;
- whether we experience delays in the design, production and launch of our vehicles;
- the inability of our suppliers to deliver the necessary components for our vehicles at prices and volumes acceptable to us;
- our ability to establish a network of dealers to sell and service our vehicles.
- our vehicles failing to perform as expected;
- our facing product warranty claims or product recalls;
- our facing adverse determinations in significant product liability claims;
- customers not adopting electric vehicles;
- the development of alternative technology that adversely affects our business;
- the impact of COVID-19 on our business;
- increased government regulation of our industry;
- tariffs and currency exchange rates; and
- the conflict with Russia and the Ukraine and the potential adverse effect it may have on the availability of batteries for our vehicles.

Overview

We are an all-electric, off-road powersports vehicle company developing and manufacturing electric two and four-wheel motorcycles and utility terrain vehicles (UTVs), also known as side-by-sides. In October 2020, we launched our offerings with two off-road motorcycles – the Grunt and the Runt. We initially began taking orders on our website for these initial offerings and began delivering the Grunts in the third quarter of 2021. We terminated our direct-to-consumer sales platform as of November 24, 2021, and as of that date, U.S. customers made deposits for 360 Grunts (net of cancellations), plus accessories and a delivery fee representing total deposits of $2.2 million. These orders are cancelable by the customer until the vehicle is delivered and after a 14-day acceptance period, therefore the deposits have been recorded as deferred revenue. We are assembling the Grunt in a leased production facility in Round Rock, Texas. We recognized revenues on 123 Grunts for the three months ended March 31, 2022. We shipped the remaining direct to consumer orders in April 2022.

Beginning in November 2021, we began negotiating dealership agreements with retail partners to display and sell our vehicles and accessories. Customers will be able to buy our vehicles and accessories directly from a local dealership. Some of these retail partners will also provide warranty and repair services to our customers. Through March 31, 2022, we have entered into 83 dealership agreements. We anticipate that we will begin shipping Grunts to dealers in May 2022.

We have selected a supplier to manufacture the 2023 Runt, a smaller version of the Grunt, and are completing the final design and manufacturing specifications with the supplier. We expect to begin selling the Runt in the fourth quarter of 2022.

We are designing an upgraded Grunt, the 2023 Grunt EVO, that will have a belt drive rather than a chain drive, an upgraded rear suspension, including a new shock, a new seat and will be available in additional colors and have aftermarket accessory upgrades such as handlebars, grips, foot pegs and seats. The pricing for the 2023 Grunt EVO and accessories has not yet been determined. We expect the Grunt EVO to be available beginning in the fourth quarter of 2022.

Also in the fourth quarter of 2022, we expect to begin selling the 2023 Volcon Brat E-Bike which will be manufactured by a third party. Pricing for the Brat has not yet been determined.

In December 2021 we received the first prototype of the Volcon Stag, and we expect to publicly introduce a prototype of the Stag in the second half of 2022, with delivery of the first Stag model to customers beginning in the second half of 2023. We expect the Stag to be followed by the introduction of a higher performance, longer range UTV (to be named) which we expect to be available for sale in 2024.

We signed a lease for a dedicated, built-to-suit manufacturing facility on 53 acres in Liberty Hill, Texas, 25 miles northwest of downtown Austin from an entity controlled by our founders. An amendment to the lease that will provide additional tenant improvements and access to an additional 17 acres of land was provided in October 2023.

The Company evaluated the cost of this facility in relation to other lower cost options and determined that it would be in the best interest of the Company to terminate this agreement. The Company notified the landlord on April 27, 2022 that it would not be leasing this facility. The Company is currently in negotiations to determine the amount of the security deposit and prepaid rent that will be returned to the Company as certain survey, architecture and construction design costs were incurred that will be paid by the Company.

We plan to sell our vehicles and accessories globally in a three-phase rollout of export sales– Latin America importers starting in 2022, Canada and Europe expected in 2022 and Australia expected in 2023, subject to homologation requirements of each country, if any. Export sales are executed through individual importers in each country that buy vehicles by the container. Each importer will sell vehicles to local dealers or directly to customers. Local dealers will provide warranty and repair services for vehicles purchased in their country. For the three months ended March 31, 2022, we recognized revenue on 63 Grunts shipped to Latin America importers.

Results of Operations

The following financial information is for the three months ended March 31, 2022 and 2021.

	2022	2021
Revenue	$ 1,184,502	$ –
Cost of goods sold	3,527,715	–
Gross margin	(2,343,213)	–
Operating expenses:		
Sales and marketing	1,014,906	343,279
Product development	2,495,712	1,560,115
General and administrative	2,794,940	13,398,371
Total operating expenses	6,305,558	15,301,765
Loss from operations	(8,648,771)	(15,301,765)
Interest and other expense	36,426	(17,922)
Net loss	$ (8,612,345)	$ (15,319,687)

Due to recurring losses, there is no provision for income taxes for any period presented.

Revenue

Revenue for the three months ended March 31, 2022, was $1,184,502 which represents sales of Grunts of $1,165,712 and accessories and parts of $18,790, compared to no revenue for the three months ended March 31, 2021.

Cost of goods sold

Cost of goods sold for the three months ended March 31, 2022, was $3,527,715 compared to cost of goods sold of $0 for the three months ended March 31, 2021. Costs include labor costs of $685,162 for employees and contractors performing assembly and quality control testing of Grunts and stock-based compensation of $223,077 for share-based awards for employees. Part costs for Grunts sold during the period was $1,190,248. Facilities costs were $172,463 for our manufacturing facility and inventory warehousing costs. Shipping costs and duties/tariffs for inventory purchases were $900,393.

In the next 6-9 months we could experience manufacturing delays due to shipping constraints in our supply chain. We expect cost of goods sold to increase as we sell higher quantities of Grunts, but we expect the cost per Grunt to decrease as we gain efficiencies in the manufacturing process and the cost of parts is reduced as we purchase in higher volumes and source additional suppliers.

Sales and marketing

Sales and marketing expenses relate to costs to increase exposure and awareness for our products and developing our network of U.S. dealers and international distributors.

Sales and marketing expenses were $1,014,906 for the three months ended March 31, 2022 and were primarily related to expenses associated with promoting our products and brand of $176,696, employee payroll costs of $431,183, stock-based compensation of $272,756 for share-based awards granted to employees and consultants, $74,106 of facilities costs, primarily to operate our dealership in Denver, Colorado and travel costs of $40,217 primarily related to costs incurred for travel build our dealer network.

Sales and marketing expenses were $343,279 for the three months ended March 31, 2021 and were primarily related to expenses associated with promoting our products and brand of $148,168, professional fees of $34,575, employee payroll costs of $93,618, stock-based compensation of $47,726 for share-based awards granted to employees and consultants.

We expect sales and marketing expenses to increase as we expand our U.S. dealer and international distributor networks and promote our products.

General and Administrative Expense

General and administrative expenses relate to costs for our finance, accounting and administrative functions to support the development, manufacturing and sales of our products.

For the three months ended March 31, 2022, general and administrative expenses were $2,794,940 and were primarily related to expenses associated with employee payroll costs of $733,660, stock-based compensation of $742,610, professional fees of $825,259, including legal fees of $488,831, tax and accounting fees of $189,876, recruiting fees of $101,170 and IT consulting, outsourcing and other fees of $25,290 and insurance costs of $333,441.

For the three months ended March 31, 2021, general and administrative expenses were $13,398,371 and were primarily related to expenses associated with employee payroll costs of $83,985, stock-based compensation of $13,128,395 (consisting of $13,031,989 due to warrants issued to our founders in March 2021 and $96,406 due to share-based awards granted to employees and consultants), professional fees of $143,237, including legal fees of $24,505, tax and accounting fees of $72,725, recruiting fees of $14,250 and IT consulting, outsourcing and other fees of $31,757 and insurance costs of $27,744.

We expect general and administrative expenses to increase as we increase staffing to support sales, manufacturing, product development and to comply with public company reporting and compliance requirements.

Product Development Expense

Product development expenses relate to development of our products and process to manufacture these products.

Product development expenses were $2,495,712 for the three months ended March 31, 2022 and were primarily related to expenses associated with employee payroll costs of $850,390, stock-based compensation of $336,722 for share-based awards granted to employees and consultants, professional fees of $224,706 for product design and $95,130 for employee recruitment, prototype parts and tooling costs of $774,823, facilities cost of $82,131 and software fees, small equipment, tools and shop supplies of $50,019.

Product development expenses were $1,560,115 for the three months ended March 31, 2021 and were primarily related to expenses associated with employee payroll costs of $207,459 , stock-based compensation of $26,757 for share-based awards granted to employees and consultants, professional fees of $228,517 for product design, prototype parts and tooling costs of $912,737, and facilities cost of $60,953.

We expect product development costs to increase in the future as our product development activities expand for new vehicle models.

Interest and Other Expenses

Interest and other expenses for the three months ended March 31, 2022 and 2021 were not significant for either period.

Net Loss

Net loss for the three months ended March 31, 2022, was $8,612,345, compared to $15,319,687 for the three months ended March 31, 2021.

Liquidity and Capital Resources

On March 31, 2022, we had cash of $14.0 million and we had working capital of $15.3 million. Since inception we have funded our operations from proceeds from debt and equity sales.

Cash used in operating activities

Net cash used in operating activities was $9.4 million for the three months ended March 31, 2022 and includes all of our operating costs except stock-based compensation, write down of inventory and prepaid inventory and depreciation and amortization. Cash used in operating activities includes increases in inventory of $1.5 million offset by a reduction in inventory deposits of $0.4 million as we purchased more inventory in the three months ended March 31, 2022 and made fewer deposits based on the timing of inventory purchases domestically versus internationally to build Grunts for delivery to customers, a decrease of $1.2 million as we recognized revenue for shipments to direct to consumer customers in the three months ended March 31, 2022, and an increase of $0.5 million due to higher accrued liabilities due to the timing of invoices received from vendors and an increase in prepaid expenses of $0.7 million primarily due to payment of legal counsel retainers of $0.3 million and a payment of $0.1 million made to increase director and officer liability insurance due to the public stock offering that occurred in February 2022.

Net cash used in operating activities was $3.0 million for three months ended March 31, 2021 and includes all of our operating costs except stock-based compensation, and depreciation and amortization. Cash used in operating activities includes increases in inventory and prepaid inventory totaling $0.6 million as we made payments and deposits to purchase raw materials to begin production of the Grunt and $0.7 million due to prepayment of rent and security deposits for our Denver, Colorado store of $0.3 million and $0.4 million for the amendment to our related party lease for a facility in Liberty Hill, Texas.

Cash used in investing activities

Net cash used in investing activities was $0.2 million for the three months ended March 31, 2022, consisting of purchases of equipment and tooling related to our Grunt manufacturing and product development. Cash used from investing activities for the period ended March 31, 2021, was not significant.

Cash provided by financing activities

Cash provided from financing activities for the period ended March 31, 2022, was $18.1 million and was related to proceeds received from the public offering of our common stock in February 2022 where we sold 6,666,667 shares at $3.00 per share.

Net cash provided by financing activities was $8.9 million for the three months ended March 31, 2021. In January 2021, we completed a WeFunder SAFE offering which was convertible into preferred stock upon future financing events. We received gross proceeds of $2.3 million and paid expenses of $0.1 million. In February 2021, we completed an offering of our Series A preferred stock. We received gross proceeds of $2.7 million and issued 415,287 shares of Series A preferred stock. We paid commissions and expenses of $0.2 million and issued 79,750 shares of common stock and warrants to purchase 79,750 shares of common stock with an exercise price of $2.57 to placement agents in connection with the offering. This equity financing resulted in the SAFE investments of $2.0 million as of December 31, 2020, converting into 424,269 shares of Series A preferred stock and the WeFunder SAFE investments converting into 351,832 shares of Series A preferred stock. In March 2021, we sold 457,688 shares of Series B preferred stock at $9.50 per share resulting in gross proceeds of $4.2 million. We paid commissions and expenses of $0.1 million.

Our continuation as a going concern is dependent upon our ability to obtain continued financial support from our stockholders, necessary equity financing to continue operations and the attainment of profitable operations. As of March 31, 2022, we had incurred an accumulated deficit of $50.1 million since inception. Additionally, management anticipates that our cash on hand as of March 31, 2022, is insufficient to fund planned operations, including the development of our vehicles, beyond one year from the date of the issuance of the financial statements as of and for the three months ended March 31, 2022. These factors raise substantial doubt regarding our ability to continue as a going concern. We may be required to raise additional proceeds to fund our operations and there is no guarantee that we will be able to raise funding with favorable terms, if at all. Additionally, any equity issuance to raise additional proceeds during the 12 months following our February 2022 public offering would require the consent of our underwriter from our February 2022 offering.

JOBS Act Accounting Election

The recently enacted JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We have implemented all new accounting pronouncements that are in effect and may impact our financial statements and we do not believe that 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.

Critical Accounting Policies

No critical accounting policies or estimates existed as of March 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) are designed to ensure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the appropriate time periods, and that such information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure. We, under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were not effective as of March 31, 2022 to provide assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management as appropriate, to allow timely decisions regarding disclosures. Notwithstanding this conclusion, we believe that our unaudited consolidated financial statements contained in this Quarterly Report fairly present our financial position, results of operations and cash flows for the periods covered thereby in all material respects. Management is working to identify corrective actions for the weakness and will periodically re-evaluate the need to add personnel and implement improved review procedures.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during the three months ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time in the ordinary course of our business, we may be involved in legal proceedings, the outcomes of which may not be determinable. The results of litigation are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. We are not able to estimate an aggregate amount or range of reasonably possible losses for those legal matters for which losses are not probable and estimable. We have insurance policies covering potential losses where such coverage is cost effective.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 23, 2022, which is accessible on the SEC’s website at www.sec.gov except for the following:

We have determined that we will not proceed with completing a lease for a new facility from an entity controlled by our founders, and this arrangement was not conducted on an arm’s length basis and if we cannot find a suitable facility or an alternative option to have a third party assemble the Stag our business could be materially and adversely affected

We signed a lease for a dedicated, built-to-suit manufacturing facility on 53 acres in Liberty Hill, Texas from an entity controlled by our founders. In February 2021, we entered into an amendment of the lease to expand the leased premises. We paid an additional security deposit of $139,230 and additional prepaid rent of $315,588. The total minimum lease payments under the amended lease total approximately $3,930,170. In October 2021 an amendment to the lease was proposed to increase the tenant improvement allowance and increase the land to approximately 70 acres. We evaluated the cost of this facility in relation to other lower cost options and determined that it would be in the best interest of the Company to terminate this agreement. The Company presented this conclusion to the board of directors on April 5, 2022. The Company is currently in negotiations to determine the amount of the security deposit and prepaid rent that will be returned to the Company as certain survey, architecture and construction design costs were incurred that will be paid by the Company. There can be no assurance as to the amount the Company will ultimately be responsible for under the lease.

The Company is currently evaluating an option to have a third party manufacture the Stag in a third-party’s facility as well as evaluating other facilities to manufacture the Stag. If we cannot agree to terms with a third-party manufacturer or find a suitable facility to manufacture the Stag on commercially reasonable terms, our manufacturing capabilities may be impaired. If our manufacturing capabilities are impaired, we may not be able to manufacture and ship the Stag in a timely manner, which would adversely affect our business, results of operations or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Volcon, Inc. (incorporated by reference to exhibit 3.1 of the Form 8-K filed October 8, 2021)
3.2	Amended and Restated Bylaws of Volcon, Inc. (incorporated by reference to exhibit 3.2 of the Form S-1 file number 333-259468)
4.1	Form of common stock (incorporated by reference to exhibit 4.1 of the Form S-1 file number 333-259468)
4.2	Form of Warrant issued to Pink Possum, LLC and Highbridge Consulting, LLC (incorporated by reference to exhibit 4.2 of the Form S-1 file number 333-259468)
4.3	Form of Underwriter Warrant (incorporated by reference to exhibit 4.3 of the Form S-1 file number 333-259468)
4.4	Form of Underwriter Warrant (incorporated by reference to exhibit 4.3 of the Form S-1 file number 333-262343)
10.1	2021 Stock Plan of Volcon, Inc., as amended (incorporated by reference to exhibit 10.1 of the Form S-1 file number 333-259468)
10.2*†	Employment Agreement between Volcon, Inc. and Stephanie Davis, dated January 3, 2022
10.3	Underwriting Agreement by and among Volcon, Inc. and Aegis Capital Corp., dated January 28, 2022 (incorporated by reference to exhibit 1.1 of Form 8-K filed on April 27, 2022)
31.1*	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2*	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1*(1)	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*(1)	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in IXBRL, and included in exhibit 101).

* Filed herewith.

† Indicates management contract or compensatory plan, contract or arrangement.

(1) The certifications on Exhibit 32 hereto are deemed not "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VOLCON, INC.

SIGNATURE	TITLE	DATE
/s/ Jordan Davis Jordan Davis	Chief Executive Officer and Director (principal executive officer)	May 12, 2022
/s/ Greg Endo Greg Endo	Chief Financial Officer (principal financial and accounting officer)	May 12, 2022

Exhibit 10.2

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 3, 2022 (the "Effective Date"), by and between Volcon, Inc., a Delaware corporation (the "Company") having its principal place of business at 2590 Oakmont Drive, Suite 520, Round Rock, TX 78665, and Stephanie Davis ("Executive", and the Company and the Executive collectively referred to herein as the "Parties").

WITNESSETH:

WHEREAS, the Executive has agreed to serve as the Company's Chief Operating Officer ("COO") and the Company would like to retain Executive as its COO, and the Parties desire to enter into this Agreement embodying the terms of such employment; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants and promises of the Parties contained herein, the Parties, intending to be legally bound, hereby agree as follows:

1. Title and Job Duties.

(a) Subject to the terms and conditions set forth in this Agreement, commencing on the Effective Date, the Company agrees to employ Executive as COO. Executive shall report directly to the Company's Chief Executive Officer (the "CEO").

(b) Executive accepts such employment and agrees, during the term of their employment, to devote their full business and professional time and energy to the Company, and agrees faithfully to perform their duties and responsibilities in an efficient, trustworthy and businesslike manner. Executive shall have all duties and responsibilities commensurate with their title. Executive also agrees that the Board shall determine from time to time such other duties as may be assigned, consistent with their title. Executive agrees to carry out and abide by such directions of the Board.

(c) Without limiting the generality of the foregoing, Executive shall not, without the written approval of the Company, render services of a business or commercial nature on their own behalf or on behalf of any other person, firm, or corporation, whether for compensation or otherwise, during their employment hereunder. For a period of five (5) weeks from the date of hire as outlined above, you shall be allowed to transition from your current employer which may include the completion of projects in process or other consultative work. The foregoing limitation shall not apply to Executive's involvement in associations, charities and service on another entity's board of directors, provided such involvement does not interfere with Executive's responsibilities (and as it pertains to any service on another entity's board of directors, provided such action is pre-approved by the Company).

2. Salary and Additional Compensation.

(a) Base Salary. During the Term, the Company shall pay to Executive an annual base salary ("Base Salary"), which shall initially be $225,000. The Board of Directors of the Company (the "Board") shall review the Executive's Base Salary no less than annually (at the end of the Company's compensation year) and may increase (but not decrease) such Base Salary during the term of this Agreement.

(b) Annual Bonus. For each compensation year during the Term, Executive will be entitled to receive an annual cash bonus (the "Annual Bonus"), within ninety (90) days of the completion of such year, payable on the date that bonuses are paid to senior officers of the Company. The final determination of the amount, if any, of the Annual Bonus will be made by, and in the sole discretion of, the Compensation Committee of the Board (or the Board, if such committee has been dissolved), based on goals and objectives previously approved by the Compensation Committee of the Board (or the Board, if such committee has been dissolved). The target Annual Bonus is up to fifty (50) percent of the Base Salary and will adjust with any future adjustments to the Base Salary, unless changed by the Company in writing,

(c) Option Grant. On the Effective Date, Executive will be granted a stock option to purchase 150,000 shares of Company common stock at an exercise price equal to the closing price of the Company's stock on the NASDAQ on the first day of employment (the "Option Grant"). The Option Grant shall have a term of ten years and shall vest in three (3) equal installments on each of the succeeding three anniversary dates of the date of grant; provided Executive remains continuously employed by Company on and does not resign prior to each such vesting date. The Option Grant shall in all respects be subject to the terms and conditions of the Company's 2021 Equity Plan (the "Plan"). In the event of a Change in Control (as defined in the Plan) prior to the final vesting of the Option Grant, all of the unvested options shall immediately vest; provided, however, in the event the acquiring party desires to replace the unvested Option Grant with a substitute of equal or greater value (the "Substitute Grant"), such proposed substitution shall be submitted to the Compensation Committee of the Board (or the Board, if such committee has been dissolved prior to the Change in Control), and the Compensation Committee of the Board (or the Board if such committee has been dissolved) shall decide whether to allow the unvested Option Grant to vest or whether to cancel the unvested Option Grant and replace them with the Substitute Grant proposed by the acquiring party. In the event of a termination without Cause, then the unvested options for the current anniversary year shall vest, and you shall have no less than 6 months to exercise any such options.

3. Expenses. In accordance with Company policy, the Company shall reimburse Executive for all reasonable association fees, professional related expenses (certifications, licenses and continuing professional education) and business expenses properly and necessarily incurred and paid by Executive in the performance of their duties under this Agreement, upon their presentment of detailed receipts in the form required by the Company's policy. Notwithstanding the foregoing, all expenses must be promptly submitted for reimbursement by Executive. In no event shall any reimbursement be paid by the Company after the end of the year following the year in which the expense is incurred by Executive.

4. Benefits.

(a) Vacation. Executive shall be entitled to reasonable vacation time and to utilize such vacation as the Executive shall determine; provided however, that Executive shall evidence reasonable judgment with regard to appropriate vacation scheduling.

(b) Health Insurance. Executive shall be eligible for medical benefits through the Company's provider with the Company agreeing to cover up to eighty (80) percent of the Executive's and up to fifty (50) percent of spouse and dependent premiums.

(c) Relocation and Living Stipend. Executive will receive a monthly stipend for living expenses in the amount of $1,500 for the first six (6) months of employment for housing in the Austin area prior to the Executive's relocation. The Executive will relocate to the Austin area, and the Executive will receive a relocation allowance of $33,864 upon completion of the relocation. The relocation allowance is repayable to the Company by the Executive if the Executive voluntarily terminates their employment with the Company less than twelve months from the Effective Date.

5. Term. The term of employment under this Agreement (the "Term") shall commence on the Effective Date and shall continue until terminated by the Company or Executive in accordance with the terms and conditions set forth herein.

6. Termination.

(a) Termination at the Company's Election.

(i) For Cause. At the election of the Company, Executive's employment may be terminated at any time for Cause (as defined below) upon written notice to Executive given pursuant to Section 12 of this Agreement. For purposes of this Agreement, "Cause" for termination shall mean that Executive: (A) pleads "guilty" or "no contest" to, or is convicted of an act which is defined as a felony under federal or state law, or is indicted or formally charged with acts involving criminal fraud or Embezzlement; (B) in carrying out their duties, engages in conduct that constitutes gross negligence or willful misconduct; (C) engages in substantiated fraud, misappropriation or embezzlement against the Company;·(D) willfully engages in any inappropriate or improper conduct in the course of their duties that causes material harm to the reputation of the Company; or (E) materially breaches any term of this Agreement. With respect to subsection (E) of this section, to the extent such material breach may be cured, the Company shall provide Executive with written notice of the material breach and Executive shall have twenty (20) days to cure such breach.

(ii) Upon Disability or Without Cause; Death. At the election of the Company Executive's employment may be terminated: (A) should Executive have a physical or mental impairment that substantially limits a major life activity and Executive is unable to perform the essential functions of their job with or without reasonable accommodation ("Disability'); or (B) with thirty (30) days prior written notice, at any time without Cause. Executive's employment with the Company will end upon Executive's death.

(b) Termination at Executive's Election. Notwithstanding anything contained elsewhere in this Agreement to the contrary, Executive may terminate their employment hereunder at any time and for any reason, upon thirty (30) days' prior written notice given pursuant to Section 12 of this Agreement ("Voluntary Resignation"), provided that upon notice of resignation the Company may terminate Executive's employment immediately.

(c) Termination in General. If Executive's employment with the Company terminates for any reason, the Company will pay or provide to Executive: (i) any unpaid Base Salary through the date of employment termination, (ii) reimbursement for any unreimbursed business expenses incurred through the termination date, to the extent reimbursable in accordance with Section 3, and (iii) all other payments or benefits (if any) to which Executive is entitled under the terms of any benefit plan or arrangement.

7. Severance.

(a) A "Covered Period" is defined as the period commencing 30 days prior to a Change in Control and ending twelve (12) months following a Change in Control.

(b) Subject to Section 7(c) below, if Executive's employment is terminated prior to the end of the Term by the Company without Cause (other than due to death or Disability), Executive shall be entitled to receive a severance payment equal to (i) six months of the Executive's Base Salary at the time of termination, and (ii) 100% of Executive's target bonus for the year in which the termination occurs; Executive shall also receive a prior year's bonus, if not yet paid, payable at no less than target. If Executive's employment is terminated during a Covered Period, Executive shall be entitled to receive 12 months of severance, and an acceleration of the vesting of the option grant described in the prior paragraph. Such severance payment shall be made in a single lump sum sixty (60) days following such termination provided the Executive has executed and delivered to the Company, and has not revoked a general release of the Company, its parents, subsidiaries and affiliates and each of its officers, directors, employees, agents, successors and assigns, and such other persons and/or entities as the Company may determine, in a form reasonably acceptable to the Company. Such general release shall be delivered on or about the date of termination and must be executed within 21 days of termination.

(c) Notwithstanding the foregoing, (i) any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A of the Code and the regulations and official guidance issued thereunder ("Section 409A")) that is/are required to be made to Executive hereunder as a "specified employee" (as defined under Section 409A) as a result of such employee's "separation from service" (within the meaning of Section 409A) shall be delayed for the first six (6) months following such separation from service (or, if earlier, the date of death of the specified employee) and shall instead be paid upon expiration of such six (6) month delay period; and (ii) for purposes of any such payment that is subject to Section 409A, if the Executive's termination of employment triggers the payment of "nonqualified deferred compensation" hereunder, then the Executive will not be deemed to have terminated employment until the Executive incurs a "separation from service" within the meaning of Section 409A.

8. Confidentiality Agreement.

(a) Executive understands that during their employment they will have access to unpublished and otherwise confidential information both of a technical and non-technical nature, relating to the business of the Company and any of its parents, subsidiaries, divisions, affiliates (collectively, "Affiliated Entities"), or clients, including without limitation any of their actual or anticipated business, research or development, any of their technology or the implementation or exploitation thereof, including without limitation information Executive and others have collected, obtained or created, information pertaining to patent formulations, vendors, prices, costs, materials, processes, codes, material results, technology, system designs, system specifications, materials of construction, trade secrets and equipment designs, including information disclosed to the Company by others under agreements to hold such information confidential (collectively, the "Confidential Information"). Executive agrees to observe all Company policies and procedures concerning such Confidential Information. Executive further agrees not to disclose or use, either during their employment or at any time thereafter, any Confidential Information for any purpose, including without limitation any competitive purpose, unless authorized to do so by the Company in writing, except that he may disclose and use such information when necessary in the performance of their duties for the Company. Executive's obligations under this Agreement will continue with respect to Confidential Information, whether or not their employment is terminated, until such information becomes generally available from public sources through no action of Executive. Notwithstanding the foregoing, however, Executive shall be permitted to disclose Confidential Information as may be required by a subpoena or other governmental order, provided that they first notify promptly the Company of such subpoena, order or other requirement and allows the Company the opportunity to obtain a protective order or other appropriate remedy. Nothing herein shall prohibit Employee from (i) reporting a suspected violation of law to any governmental or regulatory agency and cooperating with such agency, or from receiving a monetary recovery for information provided to such agency, (ii) testifying truthfully under oath pursuant to subpoena or other legal process or (iii) making disclosures that are otherwise protected under applicable law or regulation.

(b) During Executive's employment, upon the Company's request, or upon the termination of their employment for any reason, Executive will promptly deliver to the Company all documents, records, files, notebooks, manuals, letters, notes, reports, customer and supplier lists, cost and profit data, e-mail, apparatus, computers, cell phones, tablets, hardware, software, drawings, and any other material of the Company or any of its Affiliated Entities or clients, including all materials pertaining to Confidential Information developed by Executive or others, and all copies of such materials, whether of a technical, business or fiscal nature, whether on the hard drive of a laptop or desktop computer, in hard copy, disk or any other format, which are in Executive's possession, custody or control. Executive shall be permitted to retain any documents evidencing their compensation, equity holdings, or terms of employment without violation of this provision.

(c) Executive will promptly disclose to the Company any idea, invention, discovery or improvement, whether patentable or not ("Creations"), conceived or made by them alone or with others at any time during their employment. Executive agrees that the Company owns all such Creations, conceived or made by Executive alone or with others at any time during their employment, and Executive hereby assigns and agrees to assign to the Company all rights they have or may acquire therein and agrees to execute any and all applications, assignments and other instruments relating thereto which the Company deems necessary or desirable. These obligations shall continue beyond the termination of their employment with respect to Creations and derivatives of such Creations conceived or made during their employment with the Company. Executive understands that the obligation to assign Creations to the Company shall not apply to any Creation which is developed entirely on their own time without using any of the Company's equipment, supplies, facilities, and/ or Confidential Information unless such Creation (a) relates in any way to the business or to the current or anticipated research or development of the Company or any of its Affiliated Entities; or (b) results in any way from their work at the Company.

(d) Executive will not assert any rights to any invention, discovery, idea or improvement relating to the business of the Company or any of its Affiliated Entities or to their duties hereunder as having been made or acquired by Executive prior to their work for the Company.

(e) Executive agrees to cooperate fully with the Company, both during and after their employment with the Company, with respect to the procurement, maintenance and enforcement of copyrights patents, trademarks and other intellectual property rights (both in the United States and foreign countries) relating to such Creations. Executive shall sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Creations. Executive further agrees that if the Company is unable, after reasonable effort, to secure Executive's signature on any such papers, any officer of the Company shall be entitled to execute such papers as their agent and attorney-in-fact and Executive hereby irrevocably designates and appoints each officer of the Company as their agent and attorney-in-fact to execute any such papers on their behalf and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Creations, under the conditions described in this paragraph.

9. Representation and Warranty. The Executive hereby acknowledges and represents that they have had the opportunity to consult with legal counsel regarding their rights and obligations under this Agreement and that they fully understand the terms and conditions contained herein. Executive represents and warrants that Executive has provided the Company a true and correct copy of any agreements that purport: (a) to limit Executive's right to be employed by the Company; (b) to prohibit Executive from engaging in any activities on behalf of the Company; or (c) to restrict Executive's right to use or disclose any information while employed by the Company. Executive further represents and warrants that Executive will not use on the Company's behalf any information, materials, data or documents belonging to a third party that are not generally available to the public, unless Executive has obtained written authorization to do so from the third party and provided such authorization to the Company. In the course of Executive's employment with the Company, Executive is not to breach any obligation of confidentiality that Executive has with third parties, and Executive agrees to fulfill all such obligations during Executive's employment with the Company. Executive further agrees not to disclose to the Company or use while working for the Company any trade secrets belonging to a third party.

10. Injunctive Relief. Without limiting the remedies available to the Company, Executive acknowledges that a breach of any of the covenants contained in Section 8 above may result in material irreparable injury to the Company for which there is no adequate remedy at law, that it will not be possible to measure precisely damages for such injuries and that, in the event of such a breach or threat thereof, the Company shall be entitled, without the requirement to post bond or other security, to seek a temporary restraining order and/or injunction restraining Executive from engaging in activities prohibited by this Agreement or such other relief as may be required to specifically enforce any of the covenants in Section 8 of this Agreement.

11. Notice. Any notice or other communication required or permitted to be given to the Parties shall be deemed to have been given if either personally delivered, or if sent for next-day delivery by nationally recognized overnight courier, and addressed as follows:

If to Executive, to:

Stephanie Davis
522 Hancock Ave, Suite 423
Corpus Christi, TX 78404

If to the Company, to:

Volcon, Inc.
2590 Oakmont Drive, Suite 520
Round Rock, TX 78665
Attention: Chairman of the Board

12. Severability. If any provision of this Agreement is declared void or unenforceable by a court of competent jurisdiction, all other provisions shall nonetheless remain in full force and effect.

13. Withholding. The Company may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal state or local law.

14. Indemnification. The Company agrees that Executive will be covered by any "directors and officers" insurance policies then in effect with respect to Executive's acts as an officer and/or director of the Company.

15. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, without regard to the conflict of laws provisions thereof. Any action, suit or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be submitted to the exclusive jurisdiction of any state or federal court in Travis County, Texas.

16. Waiver. The waiver by either Party of a breach of any provision of this Agreement shall not be or be construed as a waiver of any subsequent breach. The failure of a Party to insist upon strict adherence to any provision of this Agreement on one or more occasions shall not be considered a waiver or deprive that Party of the right thereafter to insist up on strict adherence to that provision or any other provision of this Agreement. Any such waiver must be in writing, signed by the Party against whom such waiver is to be enforced.

17. Assignment. This Agreement is a personal contract and Executive may not sell, transfer, assign, pledge or hypothecate their rights, interests and obligations hereunder. Except as otherwise herein expressly provided, this Agreement shall be binding upon and shall inure to the benefit of Executive and their personal representatives and shall inure to the benefit of and be binding upon the Company and its successors and assigns, including without limitation, any corporation or other entity into which the Company is merged or which acquires all or substantially all of the assets of the Company.

18. Entire Agreement. This Agreement embodies all of the representations, warranties, covenants, understandings and agreements between the Parties relating to Executive's employment with the Company. No other representations, warranties, covenants, understandings, or agreements exist between the Parties relating to Executive's employment. This Agreement shall supersede all prior agreements, written or oral, relating to Executive's employment. This Agreement may not be amended or modified except by a writing signed by the Parties.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered on the date first written above.

Volcon, Inc.

By: /s/ Jordan Davis_______________
Name: Jordan Davis
Title: Chief Executive Officer

Agreed to and Accepted:

By: /s/ Stephanie Davis_______________
Name: Stephanie Davis
Date: 12/29/2021

Exhibit 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Jordan Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2022 of Volcon, 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 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 we 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. [intentionally omitted];

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 most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and 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.

May 12, 2022

By: /s/ Jordan Davis
Jordan Davis
Chief Executive Officer
(Principal executive officer)

Exhibit 31.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, Greg Endo, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2022 of Volcon, 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 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 we 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. [intentionally omitted];

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 most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and 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.

May 12, 2022

By: /s/ Greg Endo
Greg Endo
Chief Financial Officer
(Principal financial and accounting officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Volcon, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended March 31, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 12, 2022

By: /s/ Jordan Davis
Jordan Davis
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Volcon, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended March 31, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 12, 2022

By: /s/ Greg Endo
Greg Endo
Chief Financial Officer
(Principal financial and accounting officer)