

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

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

(State or Other Jurisdiction of  
Incorporation or Organization)

84-4882689

(I.R.S. Employer  
Identification No.)

3121 Eagles Nest Street, Suite 120, Round Rock, TX

(Address of Principal Executive Offices)

78665

(Zip Code)

(512) 400-4271

(Registrant's Telephone Number, Including Area Code)

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

Title of each class

Common Stock

Trading symbol

VLCN

Name of each exchange on which registered

The NASDAQ Stock Market LLC

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by 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

Non-Accelerated Filer

Accelerated Filer

Smaller Reporting Company

Emerging Growth Company

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

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

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

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

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

As of March 28, 2025, there were 3,850,824 outstanding shares of our common stock. The aggregate market value of shares of common stock held by non-affiliates as of June 30, 2024 was \$7,030,705 based on the closing sale price as reported by the NASDAQ Stock Market.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement related to its 2025 Annual Stockholders' Meeting to be filed subsequently are incorporated by reference into Part II of this Form 10-K. Except as expressly incorporated by reference, the registrant's proxy statement shall not be deemed to be part of this report.



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### Special Note Regarding Forward-Looking Statements

This Form 10-K, together with other statements and information publicly disseminated by our 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; our product development and production releases; 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; 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-K 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-K 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 maintain the listing of our common stock on the Nasdaq Stock Market;
- our ability to generate revenues from sales, generate cash from operations, or obtain additional funding to market our vehicles and develop new products;
- our ability to successfully implement and effectively manage our outsourced manufacturing, design and development model and achieve any anticipated benefits;
- the ability of third party manufacturers to produce our vehicles in accordance with our design and quality specifications, with sufficient scale to satisfy customers and within a reasonable cost;
- anticipated timing for the manufacture, design, production, shipping and launch of our vehicles;
- the inability of our suppliers to deliver the necessary components for our vehicles at prices and volumes acceptable to our third party manufacturers;
- our ability to establish a network of dealers and international distributors to sell and service our vehicles on the timeline we expect;
- whether our vehicles will perform as expected;
- our facing product warranty claims or product recalls;
- our facing adverse determinations in significant product liability claims;
- customer adoption of electric vehicles;
- the development of alternative technology that adversely affects our business;
- increased government regulation of our industry;
- tariffs and currency exchange rates; and
- the conflict with Russia and Ukraine and the potential adverse effect it may have on the availability of materials used in the manufacturing of batteries for our vehicles.

## **PART I**

### **ITEM 1. BUSINESS**

#### **Overview**

We are an all-electric, off-road powersports vehicle company selling Volcon electric two-wheeled E-Bikes and motorcycles, utility terrain vehicles, or UTVs, also known as side-by-sides, and golf carts, along with a line of upgrades and accessories. In January 2025, we also entered into a distribution agreement with a golf cart manufacturer, Super Sonic Company Ltd. (“Super Sonic”) located in Vietnam, and a subsidiary of Odes Industry, to supply golf carts to other companies in the United States who sell golf carts.

#### **Our Industry**

##### ***Powersports***

The powersports industry is made up of on-road and off-road motorcycles, scooters, ATVs (all-terrain vehicles), UTVs, PWC (personal watercraft) and snowmobiles. Until recently, we focused on off-road motorcycles and UTVs. We are currently evaluating an on-road/off-road (dual sport) motorcycle offering. During 2024 we introduced two off-road UTVs, the VLCN MN1 Tradesman for light utility use and the VLCN HF1a higher performance UTV.

Outdoor recreation is a major driver of the American economy. In 2023, the U.S. Bureau of Economic Analysis, or the BEA, found that outdoor recreation drives \$640 billion of the current-dollar gross domestic product for the U.S, compared to \$563 billion in 2022. The BEA noted that motorcycles and ATVs make up \$11.7 billion of the 2023 total.

According to the PowerSports Business 2024 Market Data Book:

- In the U.S., UTV sales were just under 569,000 units in 2023, an increase of approximately 3.5% from 2022, according to Power Products Marketing (“PPM”).
- New motorcycle sales in 2023, meanwhile, were approximately 520,000 units, according to the Motorcycle Industry Council (“MIC”), compared to 733,537 in 2022. MIC estimates the total motorcycle population in the U.S. is 11.6 million units with 1.7 million being off-highway units and 727,000 being dual sport units.
- According to dealership feedback, turnover of new unit inventory in 2023 at dealerships was 2.6 turns (compared to 4.6 turns in 2022) average. Similarly, new unit gross margin percentage at the dealership level was 14.9% on average during 2023 (compared to 17.1% in 2022).
- Accessory sales for UTVs on average range from \$635 to \$652 worth of accessories at the time of purchase for work or multi purpose UTVs, respectively.

While inflationary pressures, economic uncertainty and higher interest rates may have impacted demand, we believe the culture of escape and outdoor activities will continue to drive off-road powersports recreation. We believe there are very few all-electric off-road powersports companies, and traditional powersports companies have only recently started making electric products, so significant data on off-road electric vehicles does not exist yet.

##### ***Golf Carts***

The golf cart industry has grown from golf carts used on golf courses to golf carts used for leisure and transportation in neighborhoods and communities. According to Persistence Market Research, the U.S. market value is over \$800 million and is expected to grow at a volume CAGR 4.3% through 2032. According to the U.S. Census Bureau 234,000 golf carts valued at \$700 million, were imported from China to the U.S. in 2024 up from 114,000 units valued at \$450 million in 2023.

Recently, the American Personal Transportation Vehicle Manufacturer Coalition filed a petition against certain low-speed personal transportation vehicles imported from China. The petition asserted that manufacturers who received foreign government subsidies were able to import vehicles from China at a lower cost than manufacturing in their home countries. This created unfair trade practices. The Department of Commerce reviewed Chinese manufacturers who sold such vehicles and determined that they were unfairly competing due to such government subsidies. As a result, countervailing duties and antidumping tariffs were assigned to Chinese manufacturers, which cumulatively range from 149% to 500% (depending on the manufacturer).

During 2024 we introduced a four seat golf cart, the VLCN MN1 Adventurer (the “Adventurer”), that has a fold down rear seat to allow for light utility use. The Adventurer and the Tradesman, discussed above, are manufactured by Super Sonic Company Ltd. (“Super Sonic”) in Vietnam, which currently has a tariff of 2.5%.

### ***Ebike***

According to Grand View Research, the electric bicycle market was valued at \$1.98 billion in the U.S. for 2022. The market is expected to grow at a volume CAGR 15.6% through 2030. This growth is attributed to a rise not only in recreational use, but also daily commuting due to environmental concerns, consumer vehicle cost of ownership, and government incentives.

### **Our Products**

#### *Two-Wheeled Products*

We began selling the Grunt in September 2021 and the Grunt EVO replaced the Grunt in September 2023. Due to the manufacturing cost of the Grunt EVO, we terminated the manufacturing contract for it in December 2024. As of March 2025, we have sold all of the remaining Grunt EVO finished goods.

Beginning in the second quarter of 2024, we began evaluating other potential electric motorcycle offerings. We are determining what features and specifications would be included for new offerings including considering a street legal version that would be dual purpose as an on-road/off-road motorcycle (not highway legal). We have identified one new model which we are working on developing with a third party manufacturer. We received prototypes in February 2025 and we are testing them to evaluate the feasibility to produce and sell them. Provided testing is successful, we expect to start selling this product in the third quarter of 2025.

In the fourth quarter of 2022, we began selling an E-Bike, the Brat which is manufactured by a third party. The Brat is a class 2 E-Bike and can be used on-road or off-road.

We will continue to evaluate other potential two-wheel product offerings throughout 2025.

#### *Utility Terrain Vehicles (UTVs)*

Beginning in the second quarter of 2024, the Company began discussions with various third party manufacturers of electric UTVs to identify models that we could purchase. These models would be primarily used for utility purposes, have two or three passenger options, a dump bed or flatbed for hauling cargo, with speeds up to 30 miles per hour. These models may also include an enclosed cab with optional air conditioning.

During 2024, we signed an agreement with a manufacturer to distribute one of these utility UTV models, the VLCN HF1 in North America for five years, which includes a royalty agreement with the manufacturer for them to distribute the vehicle outside of North America. Royalties would commence in the third year of this agreement.

We also signed another agreement with Super Sonic to distribute other light UTV models, the VLCN MN1 in the United States. The VLCN MN1 has two models, the MN1 Adventurer, a golf cart style product, which has four seats with a fold down rear seat to accommodate light cargo and the MN1 Tradesman which has two seats with a dump bed for utility purposes.

## **Distribution and Supplier Agreements**

### *Exclusive Distribution Agreement*

In January 2025, we signed an exclusive distribution agreement (the “Distribution Agreement”) with the manufacturer of the MN1s to distribute their golf carts in the United States and its territories. Super Sonic appointed us to act as their exclusive distributor of certain of their golf cart products (the “Products”), in the U.S. Super Sonic agreed to recommend us as the sole provider for all Products to all their customers in the U.S. . Super Sonic has the right to sell non-Volcon branded Products to other customers and shall pay 5% of the order price to us. Before the end of June 2025, we agreed to provide a procurement plan, and if we fail to meet the minimum purchase requirement described in the procurement plan for two consecutive months, Super Sonic shall have the right to immediately terminate the Distribution Agreement. During the term of the Distribution Agreement, to the extent we sell any Volcon-branded products (the “Volcon Products”) that are similar to the Products, we agreed to provide Super Sonic with a right of first refusal to manufacture the Volcon Products. As more fully discussed in Note 15 of the accompanying financial statements, we may be required to issue our common stock, warrants to purchase our common stock and the right to appoint a director to our board of directors if certain golf cart sales volumes are attained.

### *Supply Agreement*

On February 24, 2025, we entered into a Supply agreement (the “Supply Agreement”) with Venom-EV LLC (“Venom”) to supply Venom with certain golf carts. The Supply Agreement allows Venom to purchase up to \$3 million of golf carts with payment terms of 90 days from the date the golf carts are delivered to Venom’s facility. These golf carts will be purchased through a manufacturer specified in the Supply Agreement and we will receive consideration of the cost of the golf carts plus a three percent margin. We received an initial order from Venom for \$2.4 million of golf carts. At the end of each calendar quarter, we agreed to issue Venom shares of Company common stock based on the number of golf carts purchased by Venom during the quarter as follows: for each 1,000 Units sold in 2025 to Venom by us, we shall issue Venom a number of shares equal to 1% of our outstanding shares of common stock (the “Venom Shares”) as of the last day of such quarter that the 1,000 Units were sold for no additional consideration. The requirement to issue the Venom Shares shall cease upon the sale of 5,000 Units or June 30, 2026, whichever comes first. Notwithstanding the foregoing, to the extent the issuance of the Venom Shares shall require shareholder approval pursuant to the rules of the Nasdaq Stock Market, such issuances shall be subject to the receipt of such shareholder approval. If, for any reason, we fail to issue such shares to Venom, Venom is entitled to compensatory damages in the amount equal to the value of the Venom Shares that should have been issued to Venom in that quarter (determined by the closing stock price on the last day of that quarter), and to immediately terminate the Supply Agreement.

## **Customers**

### *Dealers*

We sell our products through powersports dealers, bicycle retailers, and golf cart dealers. As of March 25, 2025, we have 117 active powersports dealers, 13 active bicycle dealers and 8 golf cart dealers. For dealers who qualify for credit, we offer dealers payment terms of 30 to 90 days to make larger purchases of our vehicles provided their order is within their established credit limit. For dealers that do not qualify for credit, they must pay for their order prior to shipment. Powersports dealers can order any of our available products, bicycle retailers can order the Brat, and golf cart dealers can order either version of the MN1. We have entered into an accounts receivable factoring arrangement to allow us the ability to generate cash for working capital. We have agreements with third party financing companies to provide financing to qualified customers of dealers or customers purchasing from our website. There is no recourse to us or the dealer if the customer defaults on the financing agreement with the third party.

### *Consumers*

Consumers can purchase the Brat from our website and have it delivered to a location of their choosing in the continental U.S. During 2024, we began selling the Grunt EVO through our website where continental U.S. customers could pay a deposit and complete their purchase at one of our U.S. powersports dealer locations.

## *International Distributors*

We also sell our two-wheel products internationally through importers. Each importer buys vehicles by the container and sells vehicles and accessories to local dealers or directly to consumers. Payment for orders is required in advance of shipment, except in a few limited instances. Local dealers or the importer will provide warranty and repair services for vehicles purchased in their country. As of March 21, 2025, we have signed agreements with six importers in Latin America, one importer for the Caribbean Region, collectively referred to herein as the LATAM importers, and one importer each in New Zealand, Australia and Japan to sell our two-wheel vehicles and accessories in their assigned countries/markets. In 2025, we expect to expand our global sales of our vehicles and accessories beyond our current distributor base and offer our four-wheel products to these customers.

## **Manufacturers**

We outsource the manufacturing of all of our vehicles and accessories to third party manufacturers and suppliers. The estimated fulfillment of all two-wheeled and UTV orders we have received, or will receive, assumes that our third party manufacturers can successfully meet our order quantities and deadlines. We have experienced delays due to our third party manufacturers being unable to timely meet our order deadlines, and there is no assurance that we will not experience delays in the future until such time as we are able to source products from multiple manufacturers or from larger, more established manufacturers. If they are unable to satisfy orders on a timely basis, our customers may cancel their orders. Also, due to the limited number of third party manufacturers who manufacture our products, if any one of them experiences financial hardship and cannot manufacture our products, our customers may cancel their orders which will harm our sales. All of our products are manufactured internationally. If there is a change in import laws, including an increase in tariffs, the cost of our products will increase. We could also experience delays in receiving shipments of our products if there are delays in getting carriers to ship our products or delays at the port of entry.

## **Intellectual Property**

Our success depends, at least in part, on our ability to protect our core technology and intellectual property. To accomplish this, we currently rely on a combination of trade secrets, including know-how, employee and third party non-disclosure agreements, and other contractual rights to establish and protect our proprietary rights in our technology.

Our industrial designs are protected by design patents. In addition, we intend to file for additional utility patents. There is no assurance that we will be granted any such patents. We do not know whether any patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. Even if granted, there can be no assurance that our issued patents or new patent applications will provide us with protection.

We have registrations for the trademarks VOLCON, GRUNT, and GRUNT EVO in the U.S. We have also applied to register additional trademarks – including VOLCON, VOLCON BRAT, EMPOWERING ADVENTURE, STAG, VOLCON STAG, VLCN, VLCN BRAT, VLCN HF1, VLCN MN1, VLCN FT1, VLCN HT1, VLCN SK1, and VLCN RV1 - in the U.S., Canada, New Zealand, Australia and certain additional countries in Latin America, and many of these trademarks are now allowed or registered in these countries. We have resolved some conflicts and potential conflicts that have arisen with regard to the use and registration of our trademarks through coexistence agreements and the submission of arguments. We have received notice from an entity in Brazil who has opposed our applications for trademarks including the word VOLCON, but we believe the trademarks and the goods being sold under them are not similar and there is no potential for confusion.

In addition, we have been transitioning from the use of VOLCON to VLCN in certain countries, in some instances to avoid potential conflicts with marks that are similar to VOLCON. Our efforts to secure trademark registrations for VOLCON and VLCN and other trademarks referenced above are ongoing and we may encounter resistance from other companies, particularly as we expand into additional territories. If we receive objections from other entities and are unsuccessful in obtaining agreements or otherwise resolving the matters with these entities, we will need to consider the use of different trademarks for our Company and our products.



## **Competition**

There are dozens of manufacturers that sell off-road motorcycles, UTVs and E-Bikes in the U.S. and even more globally. The markets for powersport vehicles and E-Bikes are highly competitive based on a number of factors, including innovation, performance, price, technology, product features, styling, fit and finish, brand recognition, quality and distribution. We believe our ability to compete successfully in these markets depends on our ability to capitalize on our competitive strengths and build brand recognition.

Many companies, which have greater financial and marketing resources than us, make electric street motorcycles, including Zero Motorcycles. Some companies make electric UTVs as part of their product line. For example, Polaris has a joint venture with Zero Motorcycles to help them design dedicated electric UTVs, the first product of which began selling in 2023. Many companies, like Super 73, make and sell E-Bikes and have a stronger established brand name and product line.

## **Government regulations**

We initially focused on the off-road-only portion of the market for our motorcycle and UTV because it is free of many of the homologation issues and highway certifications required to produce and sell an on-road vehicle. In some states, off-road vehicles do have legislative restrictions, but they are related to noise and exhaust emissions, two things our vehicles do not produce. The MN1 product line can be used as an on-road vehicle and is required to comply with certain federal, state and local regulations. In addition, we are currently in the early stages evaluating an on-road/off-road motorcycle.

Federal, state, and local governments have promulgated and/or are considering promulgating laws and regulations relating to the safety of our products. In the U.S., the Consumer Product Safety Commission (CPSC) has federal oversight over product safety issues related to off-road vehicles and E-Bikes. We believe that our products comply with all applicable CPSC safety standards as well as all other applicable safety standards in the U.S.

The assembly, use, storage, transport and disposal of battery packs is subject to extensive regulation. Complying with these requirements involves substantial costs, and any failure to do so may result in heavy fines or other restrictions on our operations. Additionally, we may be responsible for the recycling and proper disposal of expended batteries from our vehicles. We may enter into agreements with third parties to manage such recycling and disposal; however, we may be found liable for any failures in compliance by these third parties and subject to fines or remediation liabilities, which costs may be substantial.

Vehicles sold internationally are subject to the local laws of each jurisdiction in which we sell our vehicles. Our international distributors are responsible for ensuring that our vehicles comply with the jurisdiction in which they are importing the vehicle. Costs associated with compliance are the responsibility of the distributor. These regulations may result in increased costs and expenses, which may materially and adversely affect the distributors business where it may not be economically feasible to sell our products locally, which in turn will adversely impact our results of operations or financial condition.

## **Human Capital**

### *Mission*

People are at the core of our DNA. Our mission is to source industry leading products that connect people to outdoor experiences through the intentional blending of leading technology and design. Our vision is to amplify the powersports experience for all. Our values are building the future of powersports.

### *Employee Engagement*

Our employees and contractors focus on customer care, developing and sourcing our products, and building our marketing channels. We believe we offer competitive benefits and programs to develop employees' expertise, performance, and engagement, while implementing corporate policies to provide a safe, harassment-free work environment. This work environment is guided by principles of fair and equal treatment and prioritizes effective communication and employee engagement.

We are committed to building a strong culture with high levels of employee engagement. We hold ad hoc meetings where management discusses various topics with employees including operational updates, vehicle development, financing activities, company policies and safety. Management is also committed to being available to discuss any employee concerns on a one-on-one basis. We believe that our employees are our greatest asset and are striving to consistently evaluate our progress in developing and maintaining engagement.

#### **Available Information**

Our website is at [www.volcon.com](http://www.volcon.com). We make available, free of charge, on our corporate website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after they are electronically filed with the SEC. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). Information contained on our website does not, and shall not be deemed to, constitute part of this Annual Report on Form 10-K. Our reference to the URL for our website is intended to be an inactive textual reference only.

#### **ITEM 1A RISK FACTORS**

*Investing in our common stock involves a high degree of risk. You should carefully consider each of the following risks, together with all other information set forth in this Annual Report on Form 10-K, including the financial statements and the related notes, in evaluating an investment in our common stock. If any of the following risks actually occurs, our business could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.*

#### **Risks Related to the Company's Business, Operations, and Industry**

*Our losses from operations could continue to raise substantial doubt regarding our ability to continue as a going concern. Our ability to continue as a going concern requires that we obtain sufficient funding to finance our operations.*

To date we have funded operations through equity and debt offerings. As of December 31, 2024, we have an accumulated deficit of \$166.3 million.

Subsequent to December 31, 2024 through February 5, 2025, the Company received net proceeds of \$8.8 million from the sale of 1,764,113 shares of its common stock from our At The Market ("ATM") offering. On February 6, 2025, the Company received net proceeds of \$10.7 million from the sale of 430,000 common stock units, which consisted of 430,000 shares of common stock and 430,000 warrants to purchase the Company's common stock at \$2.00 per share, and 5,570,000 pre-funded warrant units, which consisted of 5,570,000 pre-funded fully exercisable warrants with an exercise price of \$0.00001 and 5,570,000 warrants to purchase the Company's common stock at \$2.00 per share. See Note 10 in the accompanying financial statements for further discussion of this offering.

Management anticipates that our cash on hand as of December 31, 2024 plus the cash expected to be generated from operations, and the cash received from the ATM and February 6, 2025 equity offering will not be sufficient to fund planned operations and maintain required cash balances for the Convertible Notes beyond one year from the date of the issuance of the financial statements as of and for the year ended December 31, 2024. There can be no assurance that we will not require additional funding to support our operations. There can be no assurance that such additional funding, if needed, would be available to the Company on acceptable terms, or at all. These factors raise substantial doubt regarding our ability to continue as a going concern.

***The material weaknesses in our internal control over financial reporting identified in our 2020 audit have not been remediated. If we are unable to remediate these material weaknesses or we or our auditor identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business and stock price.***

The material weaknesses identified by our independent registered public accounting firm in our internal control over financial reporting in our 2020 audit have not been remediated as of December 31, 2024. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. These material weaknesses are as follows:

- Inadequate segregation of duties within account processes due to limited personnel
- Insufficient formal written policies and procedures for accounting, IT, financial reporting and record keeping

In addition to hiring more finance and accounting personnel in 2021 to improve our segregation of duties, through 2024, we have made further progress towards remediating these material weaknesses. We have hired more experienced accounting and finance personnel. We have prepared some formal written policies and procedures for accounting, IT, and financial reporting and record keeping. We have also started the process of documenting our internal controls. However, we have not fully completed documentation or testing of these policies, procedures, and internal controls.

While we believe these efforts have improved the internal control over financial reporting during 2024, they did not fully remediate the material weaknesses as we have not fully documented all of our policies or procedures and we have not performed any testing of our internal controls.

We cannot assure you that the measures we have taken to date and may take in the future, will be sufficient to remediate the control deficiencies that led to our material weaknesses in internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. The effectiveness of our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the possibility of human error and the risk of fraud. If we are unable to remediate the material weakness, our ability to record, process and report financial information accurately, and to prepare financial statements within the time periods required of public companies could be adversely affected which, in turn, may adversely affect our reputation and business and the market price of our common stock. In addition, any such failures could result in litigation or regulatory actions by the SEC or other regulatory authorities, loss of investor confidence, delisting of our securities and harm to our reputation and financial condition, or diversion of financial and management resources from the operation of our business.

***Our transition to an outsourced manufacturing, design and development business model may not be successful, which could harm our ability to deliver products and recognize revenue.***

In March 2022, we signed an agreement with a manufacturer in China to develop and manufacture the Brat, our first E-Bike. We provided this vendor with our specifications and design drawings, and they developed prototypes and the manufacturing process to build the Brat at a cost that was acceptable to us. We launched the Brat in December 2022 and have sold the Brat throughout 2024 and expect to continue to sell the Brat in 2025.

During 2024, we signed an agreement with a manufacturer to build the VLCN HF1 UTV and we signed another agreement with a separate manufacturer to build the VLCN MN1 Adventurer and the VLCN MN1 Tradesman vehicles. In addition we signed a distribution agreement with this manufacturer to distribute its golf carts in the U. S. and its territories.

As a result of moving to an outsourced design, development and manufacturing model, we have reduced headcount in all departments to reduce costs. We continue to evaluate further cost reductions while developing our sales and marketing team to sell and promote our products to customers in the U.S. and to our international distributors.

***We rely on third party manufacturers, designers and developers, which subjects us to risk of product delivery delays, reduced control over product costs and quality control.***

Our business success will depend in large part on our third party manufacturers' ability to economically produce our vehicles at sufficient capacity to meet the demands of our customers.

Our reliance on third parties for the manufacture, design and development of our vehicles exposes us to a number of risks which are outside our control, including:

- delays due to design and development of our products to meet our product specifications;
- delays due to defective parts or components;
- unexpected increases in manufacturing costs;
- interruptions in vehicle deliveries if a third party vendor is unable to complete production or design in a timely manner;
- shipping delays due to availability of ships, trains, trucks or containers to ship products or delays at ports to ship products to us or to our customers; and
- inability to control the quality of finished products.

Our reliance on third parties reduces our control over the manufacturing, design and development processes, including reduced control over timing to release products, quality, product costs and product supply. We experienced delays in the design and development of previous vehicles we were seeking to develop.

We can provide no assurance that we will not realize future delays in production or our costs will stay at levels that allow us to sell our products profitably. Since we do not have multiple manufacturers or manufacture our products internally, our ability to release products on the timeline we expect will be dependent on our current outside manufacturers.

If any of our third party vendors suffer interruptions, experience delays in shipments or issues concerning product quality, supply chain or disruptions, including by reason of natural disasters, work stoppages or capacity constraints, our ability to ship products to dealers and our international distributors would be delayed. Additionally, if any of our third party vendors experience quality control problems in their operations, we could be required to cover the repair or replacement of any defective products. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and could have a negative impact on our operating results. In addition, such delays or issues with product quality could harm our reputation and our relationship with our dealers, distributors and customers.

***Our third party manufacturers may be unable to meet our growing sales and delivery plans, which could harm our business and prospects.***

Our sales growth and delivery plan contemplate achieving and sustaining increases in vehicle deliveries. Our ability to achieve this plan depends upon several factors, including our ability to identify third party manufacturers who can meet our forecasted demand while maintaining our desired quality levels and optimize design and product changes. Although we believe that the third party manufacturers we have contracted with have the ability to meet our forecasted demand, there is no assurance that they will be successful in these efforts. In addition, as we do not have a long-term history of sales, our forecasted demand may be materially incorrect, which could cause us to either fail to meet unforeseen demand or incur higher costs for excess inventory purchased to meet our forecast. If we are unable to realize our sales and delivery plan, our brand, business, prospects, financial condition, and operating results could be materially damaged.

***We are dependent on our third party manufacturers, who are dependent on their suppliers, some of which could be single-source suppliers. The inability of these suppliers to deliver necessary components for our vehicles according to our schedule and at prices, quality levels and volumes acceptable to us, or our inability to efficiently manage these third party manufacturers and their suppliers has in the past and could in the future have a material adverse effect on our financial condition and operating results.***

Our vehicles contain numerous purchased parts that our third party manufacturers either (a) source globally from direct suppliers, some of whom could be single-source suppliers, or (b) manufacture themselves from components or materials. Any significant unanticipated demand would require our third party manufacturers to procure or manufacture additional components in a short amount of time. While we believe our third party manufacturers would be able to secure additional or alternate sources of supply for most of our components and raw materials in a relatively short time frame, there is no assurance that they will be able to do so or develop their own replacements for certain highly customized components of our products. We have in the past realized production delays due to delays in sourcing certain parts from single-source suppliers. We can provide no assurance that we will not in the future realize additional such delays.

If our third party manufacturers encounter unexpected difficulties with key suppliers, and if they are unable to fill these needs from other suppliers, we could experience production delays and potential loss of access to important technology and parts for producing, servicing and supporting our vehicles. This limited, and in many cases single-source, supply chain exposes our third party manufacturers and us to multiple potential sources of delivery failure or component shortages for the production of our vehicles. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to design changes and delays in product deliveries to our customers, which could hurt our relationships with our customers and result in negative publicity, damage to our brand and reputation, and a material and adverse effect on our business, prospects, financial condition and operating results.

***Our third party manufacturers operate outside of the U.S., subjecting us to risks of international operations.***

Our third party manufacturers operate outside of the U.S. and as a result we are increasingly exposed to the challenges and risks of doing business outside the U.S., which could reduce our revenues or profits, increase our costs, result in significant liabilities or sanctions, or otherwise disrupt our business. These challenges include: (1) compliance with complex and changing laws, regulations and policies of governments that may impact our operations, such as foreign ownership restrictions, import and export controls, tariffs, and trade restrictions; (2) compliance with U.S. and foreign laws that affect the activities of companies abroad, such as anti-corruption laws, competition laws, currency regulations, and laws affecting dealings with certain nations; (3) the difficulties involved in managing an organization doing business in many different countries; (4) uncertainties as to the enforceability of contract and intellectual property rights under local laws; and (5) rapid changes in government policy, political or civil unrest, acts of terrorism, or the threat of international boycotts or U.S. anti-boycott legislation.

Products that we have manufactured for us in China may also be subject to any uncertainty of trade relations between China and the U. S., which could cause the cost of our products manufactured there to rise, or result in our inability to continue to use third party manufacturers in China, resulting in a need to find alternative sources of manufacture, which could result in the delay of manufacture and supply of our products, increase our cost of manufacture, and cause a delay in our shipments to customers and a delay or cancellation of orders. Our future operating results and financial condition could be materially affected to the extent any of these actions occur.

In addition, the prosecution of intellectual property infringement and trade secret theft outside of the U.S. may be more difficult than in the U.S. Although we take precautions to protect our intellectual property, using our third party manufacturers in China could subject us to an increased risk that unauthorized parties will be able to copy or otherwise obtain or use our intellectual property, and we may be unsuccessful in monitoring and enforcing our intellectual property rights against them, which could harm our business. We may also have limited legal recourse in the event we encounter patent or trademark infringers, which could adversely affect our business, results of operations, and financial condition. While we take measures to protect our trade secrets, the use of third party manufacturers may also risk disclosure of our innovative and proprietary manufacturing methodologies, which could adversely affect our business.

***We are utilizing a small number of vendors to assist us with the manufacturing, development and design of our vehicles, including the chassis, electrical systems, safety requirements, body components and accessories, and the inability of these vendors to complete our respective design requirements may delay our ability to release these vehicles for production, which could have a material adverse effect on our financial condition and operating results.***

We have entered into manufacturing, design and development agreements with vendors with experience in the manufacturing, design and development of two-wheel and four-wheel off-road vehicles to assist us with the development of certain aspects of and manufacturing of our vehicles. Although these vendors have successfully assisted other companies with manufacture, design and development of vehicles, they may not be able to successfully design, develop and manufacture our vehicles. These vendors may experience delays in fulfilling their obligations under these contracts due to the inability to source parts from other vendors, lack of employees available to work on our projects due to labor shortages or other competing projects from other customers. Failure of these vendors to complete the contracted design, development and manufacture projects for our vehicles will result in delays in obtaining regulatory approvals and delay production and release of the vehicles for sale, which could have a material adverse effect on our business, reputation, results of operations or financial condition.

***Increases in costs, disruption of supply, or shortage of materials could harm our business.***

Our third party manufacturers may experience increases in the cost or a sustained interruption in the supply or shortage of materials. Any such increase, supply interruption or shortage could materially and negatively impact our business, prospects, financial condition and operating results. The prices for these materials fluctuate, and their available supply may be unstable, depending on market conditions and global demand for these materials, including as a result of increased production of electric vehicle (EV) products by our competitors, and could adversely affect our business and operating results. For instance, we are exposed to multiple risks relating to battery packs.

These risks include:

- an increase in the cost, or decrease in the available supply, of materials used in the battery packs;
- disruption in the supply of battery packs due to quality issues or recalls by battery cell manufacturers;
- sanctions imposed by the U.S. on countries in which our products are manufactured or where parts are manufactured for our third party manufacturers; and
- tariffs on the products we source in China.

Our business is dependent on the continued supply of battery cells for the battery packs used in our vehicles. Any disruption in the supply of battery cells, including those caused by the conflict between Russia and the Ukraine and sanctions imposed on Russia noted below, could disrupt production of our vehicles. Substantial increases in the prices charged to us, such as those charged by battery cell suppliers, would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased selling prices of our vehicles. Any attempts to increase prices in response to increased material costs could result in the cancellation of vehicle orders and therefore materially and adversely affect our brand, image, business, prospects and operating results.

***We have and could continue to experience delays and other complications in the design, manufacture, launch and production ramp of our vehicles and our future planned vehicles, which could harm our brand, business, prospects, financial condition and operating results.***

We have encountered unanticipated challenges, such as supply chain constraints, that led to initial delays in producing our vehicles. We have experienced longer lead times with certain suppliers to obtain parts, especially those imported where shipping delays from outbound and inbound ports have caused delays or required us to use air freight and incur higher shipping costs. We have outsourced the manufacturing of all of our vehicles and plan to outsource all manufacturing of our vehicles for the foreseeable future. We also reduced headcount in all our departments, as we have outsourced the design and development of our vehicles. Any significant delay or other complications in the production of our vehicles or the development, manufacture, and production ramp of our future vehicles, including complications associated with our third party manufacturers' supply chains or obtaining or maintaining regulatory approvals, could materially damage our brand, business, prospects, financial condition and operating results.

***We are an early-stage company and we have delivered a limited number of vehicles to customers.***

We have delivered a limited number of vehicles to customers and we have no meaningful historical financial data upon which we may base our projected revenue and operating expenses. Our limited operating history makes it difficult for potential investors to evaluate our products or prospective operations and business prospects. We are subject to all the risks inherent in business development, financing, unexpected expenditures, and complications and delays that often occur in a new business. Investors should evaluate an investment in us in light of the uncertainties encountered by developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

***The conflict with Russia and the Ukraine could have an impact on the availability of components used in the manufacturing of lithium ion batteries that we use to power our vehicles.***

The ongoing conflict between Russia and the Ukraine could impact the availability of nickel, an element used in the production of lithium ion cells used in batteries that power our vehicles. According to the Wall Street Journal, Russia produces 5%-6% of the world's nickel supply and 17% of the high purity nickel production. 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. These factors would have a negative impact on our results of operations and cash flows.

***We are currently taking orders for the Brat E-Bike, MNIs and HF1, and if these vehicles fail to perform as expected, our reputation could be harmed and our ability to develop, market and sell our vehicles could be harmed.***

If our vehicles were to contain defects in design and manufacture that cause them not to perform as expected or that require repair or take longer than expected to deliver, our ability to develop, market and sell our vehicles could be harmed. While we intend to perform internal testing on the vehicles, as a start-up company our frame of reference by which to evaluate detailed long-term quality, reliability, durability and performance characteristics of our vehicles is based on industry metrics rather than historical data. Although we have procedures to test all of our vehicles for defects, there can be no assurance that we will be able to detect and fix all defects in our products prior to their sale to consumers. Any product defects, delays, or other failure of our products to perform as expected could harm our reputation and result in delivery delays, product recalls, product liability claims, significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

***We may not succeed in establishing, maintaining and strengthening our brand, which could materially and adversely affect customer acceptance of our products, which could in turn materially affect our business, results of operations or financial condition.***

Our business and prospects heavily depend on our ability to develop, maintain and strengthen the Volcon brand. If we are unable to establish, maintain and strengthen our brand, we may lose the opportunity to build and maintain a critical mass of customers. Our ability to develop, maintain and strengthen our brand will depend heavily on the success of our marketing efforts. Failure to develop and maintain a strong brand could materially and adversely affect customer acceptance of our vehicles, could result in suppliers and other third parties being less likely to invest time and resources in developing business relationships with us, and could materially adversely affect our business, results of operations or financial condition.

***An adverse determination in any significant product liability claim against us could materially adversely affect our business, results of operations or financial condition.***

The development, production, marketing, sale and usage of our vehicles will expose us to significant risks associated with product liability claims. The powersports vehicles industry in particular is vulnerable to significant product liability claims, and we may face inherent risk of exposure to claims in the event our vehicles do not perform or are claimed to not have performed as expected. If our products are defective, malfunction or are used incorrectly by our customers, it may result in bodily injury, property damage or other injury, including death, which could give rise to product liability claims against us. Any losses that we may suffer from any liability claims and the effect that any product liability litigation may have upon the brand image, reputation and marketability of our products could have a material adverse impact on our business, results of operations or financial condition. No assurance can be given that material product liability claims will not be made in the future against us, or that claims will not arise in the future in excess or outside of our insurance coverage and contractual indemnities with suppliers and manufacturers. We believe we have adequate product liability insurance; however, as we release new products and expand our sales channels, we may not be able to obtain adequate product liability insurance or the cost of doing so may be prohibitive. Adverse determinations of material product liability claims made against us could also harm our reputation and cause us to lose customers and could have a material adverse effect on our business, results of operations or financial condition.

***In the first quarter of 2024, we entered into a distribution agreement with Super Sonic and a golf cart supply agreement with Venom company. We may be required to issue shares of our common stock, a warrant and provide Super Sonic the right to appoint a director to our board of directors if certain order thresholds are met and we may be required to issue shares of our common stock to Venom if certain sales thresholds are met. We may not realize significant sales or gross margin from these agreements.***

In January 2025, we signed an exclusive Distribution Agreement with Super Sonic to act as their exclusive distributor of certain of their Products, in the U. S. Super Sonic agreed to recommend to all customers the sole use of us for all Products. Super Sonic has the right to sell non-Volcon branded Products to other customers and shall pay 5% of the order price to us. Before the end of June 2025, we agreed to provide a procurement plan, and if we fail to meet the minimum purchase requirement described in the procurement plan for two consecutive months, Super Sonic shall have the right to immediately terminate the Distribution Agreement. During the term of the Distribution Agreement, to the extent we sell any Volcon-branded products (the “Volcon Products”) that are similar to the Products, we agreed to provide Super Sonic with a right of first refusal to manufacture the Volcon Products. As more fully discussed in Note 15 of the accompanying financial statements, we may be required to issue our common stock, a warrant to purchase our common stock and the right to appoint a director to our board of directors if certain golf cart sales volumes are attained.

On February 24, 2025, we entered into a Supply Agreement with Venom to supply Venom with certain golf carts. The Supply Agreement allows Venom to purchase up to \$3 million of golf carts with payment terms of 90 days from the date the golf carts are delivered to Venom’s facility and to the extent payment is received, Venom may order additional units up to \$3 million. These golf carts will be purchased through a manufacturer specified in the Supply Agreement and we will receive consideration of the cost of the golf carts plus a three percent margin. We received an initial order from Venom for \$2.4 million of golf carts. At the end of each calendar quarter, we agreed to issue Venom shares of Company common stock based on the number of golf carts purchased by Venom during the quarter as follows: for each 1,000 Units sold in 2025 by us to Venom, we shall issue Venom a number of shares equal to 1% of our outstanding shares of common stock (the “Venom Shares”) as of the last day of such quarter that the 1,000 Units were sold for no additional consideration. The requirement to issue the Venom Shares shall cease upon the purchase of 5,000 Units or June 30, 2026, whichever comes first. Notwithstanding the foregoing, to the extent the issuance of the Venom Shares shall require shareholder approval pursuant to the rules of the Nasdaq Stock Market, such issuances shall be subject to the receipt of such shareholder approval. If, for any reason, we fail to issue such shares to Venom, Venom is entitled to compensatory damages in the amount equal to the value of the Venom Shares that should have been issued to Venom in that quarter (determined by the closing stock price on the last day of that quarter), and to immediately terminate the Supply Agreement.

Although Super Sonic has an incentive to refer customers to purchase units through us and Venom has incentives to place orders, there are no minimum order quantities in their agreements therefore we may not realize significant sales from these agreements.



***The markets in which we operate are in their infancy and highly competitive, and we may not be successful in competing in these industries as the industry further develops. We currently face competition from new and established competitors and expect to face competition from others in the future, including competition from companies with new technology.***

The EV market is in its infancy, and we expect it will become more competitive in the future. There is no assurance that our vehicles will be successful in the respective markets in which they compete. A significant and growing number of established and new companies have entered or are reported to have plans to enter the EV market, including the off-road market that we intend to pursue. Most of our current and potential competitors have significantly greater financial, technical, manufacturing, marketing, sales networks, and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. Increased competition could result in lower vehicle sales, price reductions, revenue shortfalls, loss of customers and loss of market share, which could harm our business, prospects, financial condition, and operating results.

***We may need to defend ourselves against intellectual property infringement claims, which may be time-consuming and could cause us to incur substantial costs.***

Others, including our competitors, may hold or obtain patents, copyrights, trademarks or other proprietary rights that could prevent, limit or interfere with our ability to make, use, develop, sell or market our products and services, which could make it more difficult for us to operate our business. From time to time, the holders of such intellectual property rights may assert their rights and may bring suits alleging infringement or misappropriation of such rights. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to cease making, selling or incorporating certain components or intellectual property into the products we offer, to pay substantial damages and/or license royalties, to redesign our products, and/or to establish and maintain alternative branding for our products.

We have registrations for the trademarks VOLCON, GRUNT, and GRUNT EVO in the U.S. We have also applied to register additional trademarks – including VOLCON, VOLCON BRAT, EMPOWERING ADVENTURE, STAG, VOLCON STAG, VLCN, VLCN BRAT, VLCN HF1, VLCN MN1, VLCN FT1, VLCN HT1, VLCN SK1, and VLCN RV1 - in the U.S., Canada, New Zealand, Australia and certain additional countries in Latin America, and many of these trademarks are now allowed or registered in these countries. We have resolved some conflicts and potential conflicts that have arisen with regard to the use and registration of our trademarks through coexistence agreements and the submission of arguments. We have received notice from an entity in Brazil who has opposed our applications for trademarks including the word VOLCON, but we believe the trademarks and the goods being sold under them are not similar and there is no potential for confusion.

In addition, we have been transitioning from the use of VOLCON to VLCN in certain countries, in some instances to avoid potential conflicts with marks that are similar to VOLCON. Our efforts to secure trademark registrations for VOLCON and VLCN and other trademarks referenced above are ongoing and we may encounter resistance from other companies, particularly as we expand into additional territories. If we receive objections from other entities and are unsuccessful in obtaining agreements or otherwise resolving the matters with these entities, we will need to consider the use of different trademarks for our Company and our products.

In the event that we were required to take one or more such actions, our business, prospects, operating results and financial condition could be materially adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity and diversion of resources and management attention.

***Increased tariffs or a global trade war could increase our costs and could further increase the cost of our products, which could adversely impact the competitiveness of our products and our financial results.***

The Brat, MN1s and HF1 depend on materials from China, namely batteries, which are among the main components of our vehicles. We cannot predict what actions may be taken with respect to tariffs or trade relations between the U.S. and China, what products may be subject to such actions, or what actions may be taken by China in retaliation. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs, trade agreements or related policies have the potential to adversely impact our supply chain and access to equipment, our costs and our product margins. Any such cost increases or decreases in availability could slow our growth and cause our financial results and operational metrics to suffer.

***We primarily sell our vehicles and accessories through a network of third parties, and there is no assurance that we will be able to successfully build out this network.***

As of March 25, 2025, we have 117 active powersports dealers, 8 golf cart dealers and 13 bicycle dealers to sell our vehicles and accessories. We have hired a new sales team in 2024 to continue to expand this network of dealers.

For the Grunt EVO, MN1s and HF1s, we are required to comply with manufacture/dealer laws in states which have dealer regulations in which we sell our vehicles through dealers. Dealer laws vary by state and although our dealer agreements are intended to comply with these laws, we may be required to amend our agreements if these laws are changed or are challenged by dealers or other OEMs. Our dealer and distribution agreements are generally short-term in nature and the dealer, distributor or we may cancel these agreements under certain circumstances and we may not be able to retain or expand the scope of our dealer and/or distribution network in the future.

We have entered into an accounts receivable factoring arrangement to allow the Company the ability to generate cash for working capital. We will incur financing costs under this arrangement. On a longer term basis we intend to obtain a “flooring” financing arrangement to allow financing sources for our dealers to purchase vehicle inventory. We may incur costs to incentivize dealers to buy our vehicles including free dealer financing for certain periods or based on purchase volumes, interest rate buydowns on the dealers’ customer financing to incentivize their customers’ purchase of our vehicles. Because we are a young company with limited sales history and recurring losses, we may not be able to obtain these inventory financing sources which may result in dealers not wanting to sell our vehicles.

In the U.S., we began to sell the Brat on our website in 2023, in addition to our dealer network and bicycle dealers. Customers can request that these vehicles be delivered to a local Volcon dealer or directly to a location they can designate within the continental U.S. We do not intend to compete with our dealers who sell these products and we provide price protection to them in the event we are selling these products below the retail price they are selling them for in order for them to maintain their margin.

We also sell our two-wheeled vehicles and accessories internationally through international distributors. As of March 25, 2025, we have signed distribution agreements with six distributors in Latin America, and individual distributor agreements with distributors in New Zealand, the Caribbean region, Australia and Japan. We are relying on these distributors to market, promote, sell and service our vehicles and sell accessories in their designated countries/territories. We plan to expand this distributor network to other countries as well as sell our four-wheel products to these distributors assuming that our products can meet the regulatory requirements of these countries.

We believe our success will be highly dependent on our ability to build out this network in the major markets in which we intend to compete for customers, and to maintain this network in the future. Our business model is dependent not only on our ability to create the foregoing network, but also on the commitment and motivation of these third parties to promote our brand and products.

***Orders for vehicles are cancellable and there can be no assurance that all orders will result in revenue being recognized.***

Orders from U.S. dealers who are eligible for credit do not require an upfront payment and are cancellable prior to shipment with no penalty. Most importers must pay for orders in advance of shipment but can cancel an order prior to shipment and receive a refund without penalty.

The estimated fulfillment of all orders we have received assumes our third party manufacturers can successfully increase their production capacity in the future, of which there is no assurance. If we are unable to satisfy pending orders on a timely basis, customers may cancel their orders.

In some cases, there will be significant time between a customer ordering a vehicle and the eventual delivery of the vehicle, which creates a heightened risk that a customer that ordered a vehicle may change his or her mind and not ultimately take delivery of the vehicle, and accessories, if purchased, in their order. Any cancellations could harm our financial condition, business, prospects and operating results.

***We may be unable to improve our existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance.***

We may not be able to compete as effectively with our competitors, and ultimately satisfy the needs and preferences of our customers, unless we can successfully enhance current products, develop new innovative products, maintain or lower product costs and distinguish our products from our competitors' products through innovation and design. Product development requires significant financial, technological, and other resources. There can be no assurance that we will be able to incur a level of investment in research and development that will be sufficient to successfully make us competitive in product innovation and design. In addition, even if we are able to successfully enhance existing products and develop new products, there is no guarantee that the markets for our existing products and new products will progress as anticipated. If any of the markets in which our existing products compete do not develop as expected, our business, results of operations or financial condition could be materially adversely affected.

***We have limited experience servicing our vehicles, we intend to primarily utilize third parties to service our vehicles, and if we are unable to address the service requirements of our customers, our business could be materially and adversely affected.***

We have limited experience servicing or repairing our vehicles and we are developing our service manuals and service procedures to repair our vehicles. We are in the process of developing a network of service providers who will also be our dealers as many states require that only dealers can provide warranty service on vehicles. For our international distributors, they will be service providers or will identify third parties who will be service providers to service our vehicles.

Servicing electric vehicles is different from servicing vehicles with internal combustion engines and requires specialized skills, including high voltage training and servicing techniques. If we are unable to successfully address the service requirements of our customers, our business and prospects will be materially and adversely affected. If we are unable to successfully address the servicing requirements of our customers or establish a market perception that we maintain high-quality support, our reputation could be harmed, we may be subject to claims from our customers, and our business, results of operations or financial condition may be materially and adversely affected.

***Significant product repair and/or replacement due to product warranty claims or product recalls could have a material adverse impact on our business, results of operations or financial condition.***

We provide a one-year warranty against defects for the Grunt EVO and Brat and a two-year warranty on the battery. We provide warranties on the HF1 and MN1 products which have varying warranty terms depending on the part, but are generally from 6 months up to 2 years. The manufacturers of the HF1 and MN1 products provide the warranty and we are reimbursed for warranty claims provided we obtain approval of the claim from the manufacturer.

Our warranty will generally require us to repair or replace defective products during such warranty periods at no cost to the consumer. Some of the parts are warrantied by the part manufacturer where others are not. We record provisions based on an estimate of product warranty claims, but there is the possibility that actual claims may exceed these provisions and therefore negatively impact our results of operations or financial condition.

In addition, we may in the future be required to make product recalls or could be held liable in the event that some of our products do not meet safety standards or statutory requirements on product safety, even if the defects related to any such recall or liability are not covered by our limited warranty. The repair and replacement costs that we could incur in connection with a recall could have a material adverse effect on our business, results of operations or financial condition. Product recalls could also harm our reputation and cause us to lose customers, particularly if recalls cause consumers to question the safety or reliability of our products, which could have a material adverse effect on our business, results of operations or financial condition.

***Our success is dependent upon the success of the off-road vehicle industry and upon consumers' willingness to adopt electric vehicles.***

Our success is dependent upon the success of the off-road vehicle industry as a whole, and in particular upon consumers' willingness to adopt electric vehicles as an alternative to combustion vehicles. If the market for electric off-road vehicles does not develop at the rate or in the manner or to the extent that we expect, our business, results of operations or financial condition may be adversely materially affected. The market for electric vehicles is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standard, frequent new vehicle announcements and changing consumer demands and behaviors. Factors that may influence the adoption of electric vehicles include:

- perceptions about electric vehicle quality, safety, design, performance and costs;
- the limited range over which electric vehicles may be driven on a single battery charge, and the decline of an electric vehicle's range resulting from deterioration over time in the battery's ability to hold a charge;
- the ability to easily charge electric vehicles;
- volatility in the cost of oil and gasoline, and improvements in the fuel economy of combustion engines; and
- the environmental consciousness of off-road vehicles customers.

The influence of any of the factors described above may cause our customers not to purchase our vehicles and may otherwise materially adversely affect our business, results of operations or financial condition.

***Higher inflation and interest rates, volatile financial markets, unemployment and consumer confidence may cause consumers to defer or not purchase our products.***

Globally inflation and interest rates rose in 2023 and remained at such levels in 2024 and could rise or remain at current levels in the future. Our vehicles represent a discretionary purchase. Many consumers finance the purchase of an off-road vehicle and higher interest rates will result in higher monthly payments which some consumers may not qualify for or consumers may elect to defer their purchase until interest rates decline.

In addition, global financial markets overall have seen significant volatility since 2023 and could continue to experience volatility in the future and could decline. A number of large companies have announced layoffs. Public companies in the EV sector have seen significant declines and volatility. Consumer confidence in the U.S. has declined.

The influence of any of the factors described above may cause our customers not to purchase our vehicles and may otherwise materially adversely affect our business, results of operations or financial condition.

***We currently operate in an area of the vehicle sector that is not heavily regulated, and future changes in government oversight may subject us to increased regulations, which may increase our expenses.***

The off-road vehicle market is not heavily regulated, as compared to on-road vehicles, and, as such, we are not currently subject to significant government regulations. We expect to develop and sell on-road (not on highway) and off-road electric motorcycles in 2025. There are significant regulations that must be met for operating a motorcycle on-road. There is no guarantee that we will be able to meet these regulations. In addition, the MN1 is designed to be operated on-road (not on highway).

There are state and local regulations governing the operation of vehicles like the MN1 that vary from state to state and municipality to municipality. As an example, certain states only allow a top speed of 15 miles per hour whereas Texas allows a top speed of 25 miles per hour. There are also regulations where these types of vehicles may only be allowed to be operated on a road with a speed limit of 35 miles per hour or less.

As this market develops and grows, it may come under increased regulatory scrutiny, which may result in increased regulations. This increase in regulations may result in increased costs and expenses, which may materially and adversely affect our business, results of operations or financial condition.

*We could be negatively impacted by cybersecurity attacks and are subject to evolving privacy laws in the U.S. and other jurisdictions that could adversely impact our business and require that we incur substantial costs.*

We use a variety of information technology systems in the ordinary course of business, which are potentially vulnerable to unauthorized access, computer viruses, ransomware software viruses and other similar types of malicious activities and cyber-attacks, including cyber-attacks to our information technology infrastructure and attempts by others to gain access to our proprietary or sensitive information, and ranging from individual attempts to advanced persistent threats. Additionally, our vendors and potentially our customers, such as federal, state and local governments, require us to maintain and protect our information technology infrastructure to specified standards in order to protect not only our sensitive information, but also their sensitive information. Further, ransomware attacks are becoming increasingly prevalent and severe. To alleviate the financial, operational, and reputational impact of a ransomware attack, it may be preferable to make extortion payments, but we may be unwilling or unable to do so, including, for example, if applicable laws or regulations prohibit such payments. The procedures and controls we use to monitor these threats and mitigate our exposure may not be sufficient to prevent cybersecurity incidents. The results of these incidents could include misstated financial data, theft of trade secrets or other intellectual property, liability for disclosure of confidential customer, supplier or employee information, increased costs arising from the implementation of additional security protective measures, litigation and reputational damage, which could materially adversely affect our financial condition, business or results of operations. Any remedial costs or other liabilities related to cybersecurity incidents may not be fully insured or indemnified by other means. Moreover, we or our third party vendors or business partners may be more vulnerable to such attacks in remote work environments, which increased in response to the COVID-19 pandemic. Additionally, security breaches could result in a violation of applicable U.S. and international privacy and other laws and subject us to governmental investigations and proceedings, which could result in our exposure to material civil or criminal liability.

#### **Risks Related to our Common Stock**

*Your ownership may be diluted if additional capital stock is issued to raise capital, to finance our operations, to complete acquisitions or in connection with strategic transactions.*

If we need to raise additional funds to finance our operations, to complete acquisitions or to develop strategic relationships by issuing equity or convertible debt securities, which would reduce the percentage ownership of our existing stockholders. Our board of directors has the authority, without action or vote of the stockholders, to issue all or any part of our authorized but unissued shares of common or preferred stock. Our certificate of incorporation authorizes us to issue up to 250,000,000 shares of common stock and 5,000,000 shares of preferred stock. Future issuances of common or preferred stock would reduce your influence over matters on which stockholders vote and would be dilutive to earnings per share. In addition, any newly issued preferred stock could have rights, preferences and privileges senior to those of the common stock. Those rights, preferences and privileges could include, among other things, the establishment of dividends that must be paid prior to declaring or paying dividends or other distributions to holders of our common stock or providing for preferential liquidation rights. These rights, preferences and privileges could negatively affect the rights of holders of our common stock, and the right to convert such preferred stock into shares of our common stock at a rate or price that would have a dilutive effect on the outstanding shares of our common stock.

*If our stock price fluctuates, you could lose a significant part of your investment.*

Our share price has historically been highly volatile and closed at \$0.9601 on March 28, 2025. The market price of our common stock is subject to wide fluctuations in response to, among other things, the risk factors described in this filing and other factors beyond our control, such as fluctuations in the valuation of companies perceived by investors to be comparable to us. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock. In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

***We are party to certain agreements with a founder of the Company and certain executive officers that may create a conflict of interest for our board of directors in evaluating a potential change of control transaction.***

We had previously entered into a consulting agreement with Highbridge Consultants, LLC (“Highbridge”), an entity controlled by Mr. Adrian James, a founder of our Company. Pursuant to the consulting agreements, upon the occurrence of a Fundamental Transaction (as contemplated by such agreement), which generally includes a business combination, merger, or sale of all or substantially all of our assets (or similar events), for an aggregate gross sales price of \$100.0 million or more, Highbridge will receive a cash payment equal to 1% of such gross sales price. This payment upon the consummation of a Fundamental Transaction may make our company less attractive to a potential acquirer or may reduce the valuation we receive in connection with a Fundamental Transaction.

Furthermore, if our market capitalization exceeds \$300.0 million for a period of 21 consecutive trading days, Highbridge will receive an additional cash payment equal to \$15.0 million; provided that we will have the right, in our sole discretion, to make the foregoing \$15.0 million payment by the issuance of shares of our common stock. If we elect to make any payments to the entity in the form of stock, it would reduce the ownership percentage of our other stockholders.

In January 2024, the Company entered into an employment agreement with John Kim, a member of the board of directors of the Company, to become the Company’s CEO and President. Also in January 2024, the Company entered into an employment agreement with Greg Endo, the Company’s CFO and Executive Vice President. As part of the employment agreements with Mr. Kim and Mr. Endo, they are each entitled to a payment of 5% of the gross proceeds from any merger, sale or change of control transaction (as determined by the board of directors) entered into by the Company for a period of up to 6 months after termination of employment; provided that they are not terminated for cause (as defined in the employment agreement).

These change of control payments may create a conflict of interest for these directors and officers in evaluating any future change of control transactions.

***We do not intend to pay dividends in the foreseeable future.***

We have never declared or paid any cash dividends on our capital stock. We do not expect to pay any cash dividends on our common stock in the foreseeable future. Payment of future dividends, if any, will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in any financing instruments, provisions of applicable law and other factors the board deems relevant.

***If securities or industry analysts do not publish research or reports about us, or if they adversely change their recommendations regarding our common stock, then our stock price and trading volume could decline.***

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our industry and our market. If no analyst elects to cover us and publish research or reports about us, the market for our common stock could be severely limited and our stock price could be adversely affected. As a small-cap company, we are more likely than our larger competitors to lack coverage from securities analysts. In addition, even if we receive analyst coverage, if one or more analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. If one or more analysts who elect to cover us issue negative reports or adversely change their recommendations regarding our common stock, our stock price could decline.

***We are currently not in compliance with the continued listing requirements of the Nasdaq Capital Market, we have in the past failed to maintain compliance with all applicable continued listing requirements of the Nasdaq Capital Market, and if we fail to maintain compliance with all applicable continued listing requirements of the Nasdaq Capital Market in the future, we will not be afforded traditional cure periods under Nasdaq rules and our common stock will be delisted from Nasdaq, which could have an adverse impact on the liquidity and market price of our common stock.***

On December 19, 2023, we were notified by the Listing Qualifications Department (the “Staff”) of the Nasdaq Stock Market (“Nasdaq”) that we were not in compliance with Nasdaq’s Listing Rule 5550(a)(2), as the minimum bid price of our common stock had been below \$1.00 per share for 30 consecutive business days. On January 4, 2024, the Staff notified us that the market value of our listed securities had been below the minimum \$35,000,000 required for continued listing as set forth in Nasdaq’s Listing Rule 5550(b)(2) for the previous 180 calendar days and served as an additional basis for delisting.

We submitted a hearing request to Nasdaq's Hearings Department, which stayed the suspension of our common stock. The hearing was held on March 26, 2024. On April 2, 2024, we received notification from the Nasdaq Hearings Panel ("Panel") that it had granted an extension until June 24, 2024, to demonstrate compliance with Listing Rules 5550(a)(2) and 5550(b)(1) (which requires at least \$2.5 million in shareholders' equity), subject to certain conditions.

On July 17, 2024, we received a letter from the Nasdaq Office of General Counsel confirming the decision of the Panel that we had demonstrated compliance with the requirements for continued listing on The Nasdaq Capital Market, but that we will be subject to a Discretionary Panel Monitor for a period of one year.

Our common stock has traded below \$1.00 since February 20, 2025. If our common stock continues to trade below \$1.00 for 30 consecutive days, we will be out of compliance with Nasdaq's Listing Rule 5550(a)(2). In the event that we have another deficiency or deficiencies, we will immediately go back into Nasdaq's hearings process. In the event that the Nasdaq Hearings Department does not grant us an extension to demonstrate compliance our common stock would be delisted from Nasdaq and trading of our common stock could be conducted only in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such an event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common stock to decline further. Also, it may be difficult for us to raise additional capital if we are not listed on a major exchange.

***In an effort to regain compliance with Nasdaq listing rules, we completed reverse stock splits during 2024. We cannot predict whether we will need to complete an additional reverse stock split and the effect that such reverse stock split will have on the market price for shares of our common stock.***

As noted in the risk factor above, in an effort to regain compliance with the Nasdaq bid price rule we completed reverse stock splits in February 2024, June 2024 and November 2024. The Company's stock price as of March 28, 2025 was \$0.9601 and we may need to complete another reverse stock split in order to regain compliance with the Nasdaq bid price rule.

We cannot predict the effect that the reverse stock split will have on the market price for shares of our common stock, and the history of previous reverse stock splits has not resulted in our share price remaining above \$1.00. Some investors may have a negative view of a reverse stock split. Even if the reverse stock split has a positive effect on the market price for shares of our common stock, performance of our business and financial results, general economic conditions and the market perception of our business, and other adverse factors which may not be in our control could lead to a decrease in the price of our common stock following the reverse stock split.

Furthermore, even if the reverse stock split does result in an increased market price per share of our common stock, the market price per share following the reverse stock split may not increase in proportion to the reduction of the number of shares of our common stock outstanding before the implementation of the reverse stock split. Accordingly, even with an increased market price per share, the total market capitalization of shares of our common stock after a reverse stock split could be lower than the total market capitalization before the reverse stock split. Also, even if there is an initial increase in the market price per share of our common stock after a reverse stock split, the market price may not remain at that level.

If the market price of shares of our common stock declines following the reverse stock split, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would occur in the absence of the reverse stock split due to decreased liquidity in the market for our common stock. Accordingly, the total market capitalization of our common stock following the reverse stock split could be lower than the total market capitalization before the reverse stock split.

*As an “emerging growth company” under the Jumpstart Our Business Startups Act, or JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements.*

As an “emerging growth company” under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. We are an emerging growth company until the earliest of:

- the last day of the fiscal year during which we have total annual gross revenues of \$1.235 billion or more;
- the last day of the fiscal year following the fifth anniversary of our initial public offering;
- the date on which we have, during the previous 3-year period, issued more than \$1 billion in non-convertible debt; or
- the date on which we are deemed a “large accelerated issuer” as defined under the federal securities laws.

For so long as we remain an emerging growth company, we will not be required to:

- have an auditor report on our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis);
- submit certain executive compensation matters to stockholders advisory votes pursuant to the “say on frequency” and “say on pay” provisions (requiring a non-binding stockholder vote to approve compensation of certain executive officers) and the “say on golden parachute” provisions (requiring a non-binding stockholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; and
- include detailed compensation discussion and analysis in our filings under the Securities Exchange Act of 1934, as amended, and instead may provide a reduced level of disclosure concerning executive compensation.

Additionally, for so long as we remain an emerging growth company, we:

- may present only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A; and
- are eligible to claim longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act.

We intend to take advantage of all of these reduced reporting requirements and exemptions, other than the longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act.

Certain of these reduced reporting requirements and exemptions were already available to us due to the fact that we also qualify as a “smaller reporting company” under SEC rules. For instance, smaller reporting companies are not required to obtain an auditor attestation and report regarding management’s assessment of internal control over financial reporting; are not required to provide a compensation discussion and analysis; are not required to provide a pay-for-performance graph or CEO pay ratio disclosure; and may present only two years of audited financial statements and related MD&A disclosure.



## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 1C. CYBERSECURITY

### *Risk Management and Strategy*

We have established policies and procedures for assessing, identifying, and managing material risk from cybersecurity threats. We monitor cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that we use through third party providers that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein.

We conducted a NIST risk assessment and performed as needed updates to our risks to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are vulnerable to such cybersecurity threats. We engage a managed service provider (“MSP”) and other third parties in connection with our cybersecurity and information technology risk assessment processes and our MSP also assists us with managing and monitoring our network and local computer systems. These service providers assist us in designing and implementing our cybersecurity policies and procedures, as well as monitoring and testing our safeguards. Personnel at all levels and departments are made aware of our cybersecurity policies through communications.

As of December 31, 2024, and through the date of the filing of this report, we are not aware of any cybersecurity incidents that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. For additional information regarding risks from cybersecurity threats, please refer to Item 1A, “Risk Factors,” in this Annual report on Form 10-K.

### *Governance*

One of the key responsibilities of our board of directors is informed oversight of our risk management process, including risks from cybersecurity threats. Our board of directors is responsible for monitoring and assessing strategic risk exposure, and our executive officers are responsible for the day-to-day management of the material risks we face.

Our Executive Vice-President and Chief Financial Officer (“CFO”) is primarily responsible for assessing and managing our material risks from cybersecurity threats. In this regard, our CFO has assistance from service providers, other consultants and third parties. Our CFO has served as an executive officer for three years and prior to this was an audit and advisory partner at a public accounting firm overseeing financial statement audits of public and private companies. Audit procedures performed for his clients included evaluating internal controls and risk assessment evaluations over information technology and cybersecurity policies.

Our CFO oversees our cybersecurity policies and procedures, including those described in “Risk Management and Strategy” above. Under such policies and procedures, our CFO is responsible for reporting to our board of directors regarding any cybersecurity incident including the results of cybersecurity risk assessments.

## ITEM 2. PROPERTIES

Our corporate headquarters is located in Round Rock, Texas, where we currently lease approximately 23,300 square feet of space across three facilities.

We believe that our existing space is adequate for our current operations. We believe that suitable replacement and additional space, if necessary, will be available in the future on commercially reasonable terms.

**ITEM 3. 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 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

#### Market Information

Our common stock is listed on the NASDAQ Stock Market LLC under the symbol "VLCN".

#### Holders

As of March 28, 2025, we had 1,148 stockholders of record and 3,850,824 outstanding shares.

#### Dividends

We have never declared or paid any cash dividends on our capital stock. The payment of dividends in the future will be contingent upon our revenues and earnings, if any, capital requirements and general financial condition. We currently intend to retain earnings, if any, to finance the growth and development of our business. We do not expect to pay any cash dividends on our common stock in the foreseeable future. Payment of future dividends, if any, will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in any financing instruments, provisions of applicable law and other factors the board deems relevant.

#### Issuer Purchases of Equity Securities

None.

#### Recent Sales of Unregistered Securities

All information related to equity securities sold by us during the period covered by this report that were not registered under the Securities Act have been included in our Form 10-Q filings or in a Form 8-K filing. We did not issue any equity securities during the fourth quarter of 2024 that were not registered under the Securities Act.

### ITEM 6. [RESERVED]

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

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this Annual Report on Form 10-K.*

#### Overview

We are an all-electric, off-road powersports vehicle company selling and developing Volcon electric two-wheeled E-Bikes and motorcycles, four-wheeled utility terrain vehicles, or UTVs, also known as side-by-sides, and golf carts, along with a line of upgrades and accessories. In January 2025, we also entered into a distribution agreement with a golf cart manufacturer, Super Sonic Company Ltd. ("Super Sonic") located in Vietnam, and a subsidiary of Odes Industry, to supply golf carts to other companies in the U. S. who sell golf carts.

## Distribution and Supplier Agreements

### Exclusive Distribution Agreement

In January 2025, we signed an exclusive Distribution Agreement with Super Sonic to act as their exclusive distributor of certain of their golf cart products (the “Products”), in the U. S.. Super Sonic agreed to recommend to all customers the sole use of us for all Products. Super Sonic has the right to sell non-Volcon branded Products to other customers and shall pay 5% of the order price to us. Before the end of June 2025, we agreed to provide a procurement plan, and if we fail to meet the minimum purchase requirement described in the procurement plan for two consecutive months, Super Sonic shall have the right to immediately terminate the Distribution Agreement. During the term of the Distribution Agreement, to the extent we sell any Volcon-branded products (the “Volcon Products”) that are similar to the Products, we agreed to provide Super Sonic with a right of first refusal to manufacture the Volcon Products. As more fully discussed in Note 15 of the accompanying financial statements, we may be required to issue our common stock, warrants to purchase our common stock and the right to appoint a director to our board of directors if certain golf cart sales volumes are attained.

### Supply Agreement

On February 24, 2025, we entered into a Supply Agreement with Venom-EV LLC (“Venom”) to supply Venom with certain golf carts. The Supply Agreement allows Venom to purchase up to \$3 million of golf carts with payment terms of 90 days from the date the golf carts are delivered to Venom’s facility. These golf carts will be purchased through a manufacturer specified in the Supply Agreement and we will receive consideration of the cost of the golf carts plus a three percent margin. We received an initial order from Venom for \$2.4 million of golf carts. At the end of each calendar quarter, we agreed to issue Venom shares of Company common stock based on the number of golf carts purchased by Venom during the quarter as follows: for each 1,000 Units sold in 2025 to Venom by us, we shall issue Venom a number of shares equal to 1% of our outstanding shares of common stock as of the last day of such quarter that the 1,000 Units were sold for no additional consideration.

## Results of Operations

The following financial information is for the years ended December 31, 2024 and 2023.

	2024	2023
Revenue	\$ 4,037,191	\$ 3,260,988
Cost of goods sold	18,168,288	11,391,040
Gross margin	(14,131,097)	(8,130,052)
Operating expenses:		
Sales and marketing	2,548,953	7,405,705
Product development	2,668,330	7,868,985
General and administrative	7,665,647	6,388,007
Total operating expenses	12,882,930	21,662,697
Loss from operations	(27,014,027)	(29,792,749)
Interest and other expense	(18,496,282)	(15,278,462)
Net loss	\$ (45,510,309)	\$ (45,071,211)

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

## Revenue

Revenue for the year ended December 31, 2024, was \$4,037,191 which represents sales of Brats of \$1,561,555, Grunt EVOs of \$1,280,739, Stags of \$371,552, Volcon Youth of \$286,680 (which we stopped selling as of June 30, 2024), MN1s of \$31,225, HF1s of \$22,500 and accessories and parts of \$264,338. Revenue also increased due to the reversal of unclaimed dealer rebates and price adjustment credits in the amount of \$350,093 offset by discounts due to various promotions in the amount of \$125,859.

Revenue for the year ended December 31, 2023, was \$3,260,988 which represents sales of Brats of \$2,341,097, Grunt EVO motorcycles of \$465,438, Grunt motorcycles of \$129,117, Volcon Youth and Torrot motorcycles of \$498,160 and accessories and parts of \$261,663 offset by \$436,333 for rebates and dealer discounts.

## Cost of goods sold

Cost of goods sold for the year ended December 31, 2024 were \$18,168,288 including payroll costs of \$274,801 for employees performing product fulfillment, logistics management, and service and warranty, partially offset by a stock-based compensation benefit of (\$11,827) for the reversal of previously recognized stock-based compensation on stock options that did not vest due to employee terminations. Product costs for Brats and Grunt EVOs sold during the period were \$1,523,053 and \$1,427,562, (before the finished goods inventory write down discussed below), respectively. Volcon Youth product costs were \$186,813 before the additional expense of \$81,911 for the write down of all Volcon Youth inventory as the Company could no longer sell Volcon Youth motorcycles or parts after June 30, 2024. MN1 and HF1 product costs were \$34,491 and \$125,550 respectively.

Stag product costs were \$950,424, which includes an expense of \$112,168 for the loss the Company realized due to agreeing to provide additional units to a customer at a sales price less than the manufactured cost of the units. As noted above, the Company also wrote off all Stag parts inventory and prepaid inventory deposits resulting in an expense of \$8,712,644. The Company also recognized an expense of \$976,420 for a settlement agreement with a vendor who supplies certain suspension components for the Stag, an expense of \$2,526,410 for a settlement agreement with the manufacturer of the Stag and \$35,000 for a settlement to a vendor of Grunt parts. These expenses were offset by a credit of \$700,000 for an amendment to the original settlement agreement with Torrot whereby the Company agreed to settle the future payment obligation by making a one-time lump sum payment and returning all unsold units and parts to Torrot. The Company also wrote down the Grunt EVO finished goods inventory by \$674,379 due to the Company lowering the sales price to dealers and distributors.

The Company recorded a loss on disposal of assets of \$817,736 primarily tooling related to Stag, Grunt EVO and Runt. The Company also recorded \$175,000 as an offset to expenses for the partial recovery of a previously written off prepaid inventory deposit. Facilities costs for the year ended December 31, 2024 were \$408,217 for our warehouse facility and third party warehousing costs.

Cost of goods sold for the year ended December 31, 2023 were \$11,391,040, including payroll costs of \$1,200,098 and stock-based compensation of \$211,981 for employees performing warehouse and logistics management and quality control testing. Product costs for Brats, Grunt EVOs, and Volcon Youth motorcycles sold during the period were \$1,674,987, \$711,807 and \$3,236,773, respectively. We recorded a write down of \$2,674,352 for Volcon Youth motorcycles to reduce their costs to the expected net realizable value. We also recorded an expense of \$2,070,000 for the termination of the Torrot agreement. We recorded an expense of \$450,282 related to fees paid to cancel purchase orders to reduce raw material quantities. The Company also recorded an expense of \$1,401,490 to write off inventory contributed to our third party manufacturer of the Grunt EVO in return for a credit that would be provided for each unit purchased up to 900 units.

Facilities costs for the year ended December 31, 2023 were \$509,360 for our warehouse facility and third party warehousing costs. Accrued warranty costs were \$205,069 offset by a reversal of the accrued warranty liability in the amount of \$472,978 for the Grunt where the one year warranty for defects had expired and claims were not as high as estimated.

In 2025 we expect revenue and cost of goods sold to increase due to the expected increase in sales of the Brat, MN1 and HF1 products. Additional cost savings may be realized if the third party manufacturer for these vehicles can source or manufacture parts at a lower cost.

### *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 \$2,548,953 for the year ended December 31, 2024 and were primarily related to expenses associated with promoting our products and brand of \$788,443, employee payroll costs of \$845,675, stock-based compensation of \$37,062 for share-based awards granted to employees and consultants, and travel costs of \$99,218 primarily related to costs incurred for travel to build our dealer and distributor network and to attend events to promote our products. Facilities costs were \$117,359. Professional fees were \$253,872, mainly related to legal fees of \$19,506 related to entering into international distribution agreements and sales consultants in the amount of \$189,673. Depreciation expense, primarily for demo vehicles, was \$157,950.

Sales and marketing expenses were \$7,405,705 for the year ended December 31, 2023 and were primarily related to expenses associated with promoting our products and brand of \$2,889,421, employee payroll costs of \$2,789,652, stock-based compensation of \$693,559 for share-based awards granted to employees and consultants, and travel costs of \$294,323 primarily related to costs incurred for travel to build our dealer and distributor network and to attend events to promote our products. Facilities costs were \$168,000. Bad debt expense was \$105,687 and professional fees in the amount of \$201,125, mainly related to legal fees in the amount of \$74,090 related to entering into international distribution agreements and sales consultant fees in the amount of \$73,132.

We expect sales expenses to increase as we begin expanding our international distributors and selling commissions to increase sales of Brats, MN1s and HF1s. We expect marketing expenses to increase to promote the MN1 and HF1 products and to launch the two-wheel motorcycle that will replace the Grunt EVO.

### *Product Development Expense*

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

Product development expenses were \$2,668,330 for year ended December 31, 2024 and were primarily related to expenses associated with employee payroll costs of \$1,515,900, stock-based compensation of \$126,337 for share-based awards granted to employees, facilities costs of \$242,677, prototype costs of \$252,147 and software fees related to product development in the amount of \$77,837, travel expenses of \$163,669 and depreciation expense of \$100,782.

Product development expenses were \$7,868,985 for the year ended December 31, 2023 and were primarily related to expenses associated with employee payroll costs of \$1,772,836, stock-based compensation of \$837,271 for share-based awards granted to employees and consultants, professional fees of \$298,713 for consultants assisting with product design and programming, prototype vehicles and parts costs of \$3,662,908, testing costs of \$240,472 to complete testing of vehicles including any required regulatory tests, \$198,224 for supplies and software and facilities costs of \$192,998.

We expect 2025 product development costs related to employee costs to remain consistent with the year ended December 31, 2024 and we expect an increase in prototype expenses as we develop the dual sport motorcycle.

### *General and Administrative Expense*

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

For the year ended December 31, 2024, general and administrative expenses were \$7,665,647 and were primarily related to expenses associated with employee payroll costs of \$2,120,064, stock-based compensation of \$159,388 for share-based awards granted to employees, professional fees of \$1,130,595 (including legal fees of \$574,952, tax and accounting fees of \$82,116 and audit fees of \$242,200), software costs of \$549,238, insurance costs of \$2,494,892, travel expenses of \$161,078, facilities expense of \$177,435, annual and special shareholder meeting costs of \$201,268, board compensation expense of \$125,000 and other public company expense costs of \$327,774.

For the year ended December 31, 2023, general and administrative expenses were \$6,388,007 and were primarily related to expenses associated with employee payroll costs of \$1,613,575, stock-based compensation of \$885,113 for share-based awards granted to employees, professional fees of \$1,024,774 (including legal fees of \$522,334, tax and audit fees of \$326,702 and recruiting fees of \$50,297), software costs were \$444,318, insurance costs of \$1,465,092, facilities costs of \$249,074, which includes \$85,756 of lease termination costs, annual and special stockholder meeting costs of \$227,439 and board compensation expense of \$117,000.

We expect general and administrative expenses to remain consistent over the next several quarters. Costs such as product liability insurance may increase due to the introduction of new products and increased sales.

#### *Interest and Other Expenses, net*

Interest and other income/expenses for the year ended December 31, 2024 was \$18,496,282. Non-cash interest expense of \$314,838 was recognized for the amortization of debt issuance costs and accretion of principal on the May 2023 Notes through the date these notes were exchanged for Preferred Stock in March 2024. We recorded a loss on the conversion of some of these notes of \$333,544 and a loss from the exchange of these notes for Preferred Stock of \$1,314,065. We recognized a loss of \$1,470,554 when we repaid the outstanding principal of the May 2024 Notes with the proceeds received from our July 2024 equity offering. Non-cash interest expense of \$238,965 was recognized for the amortization of debt issuance costs and accretion of principal on the May 2024 Notes until they were repaid. We recorded a loss on the change in the estimated fair value of the Series A and Series B Warrant liabilities of \$14,933,739 which was partially offset by a gain of \$165,355 from the exercise of some of the Series B Warrants.

Interest and other income/expenses for the year ended December 31, 2023 was \$15,278,462. A loss on extinguishment of the Convertible Notes of \$22,296,988 was recognized in the year ended December 31, 2023 (see Note 6 to the consolidated financial statements). Non-cash interest expense of \$4,969,590 was recognized for the amortization of debt issuance costs and accretion of principal on the Convertible Notes issued in August 2022 prior to extinguishment of the Convertible Notes and for the May 2023 Notes. A gain on the change in the valuation of derivative financial liabilities and warrant liabilities of \$13,473,218 was recognized in the year ended December 31, 2023 (see Note 7 to the consolidated financial statements). Offering costs related to the November 2023 public offering for the amount allocated to the issuance of Series A and Series B Warrants in the amount of \$1,444,547.

Non-cash interest expense will no longer be recognized on the May 2023 Notes in the future due to the exchange of the May 2023 Notes for Series A Convertible Preferred Stock. Non-cash interest expense will no longer be recognized on the May 2024 Senior Notes after repayment of these notes in July 2024 with the proceeds from the sale of common stock.

#### *Net Loss*

Net loss for the year ended December 31, 2024 was \$45,510,309, compared to \$45,071,211 for the year ended December 31, 2023.

#### **Liquidity and Capital Resources**

On December 31, 2024, we had cash and restricted cash of \$2.3 million, including \$0.1 million of restricted cash, and we had a working capital of \$0.4 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 \$16.0 million for year ended December 31, 2024 and includes all of our operating costs except depreciation and amortization of \$0.4 million, write down of Stag, Grunt EVO and Volcon Youth inventory and inventory deposits of \$9.3 million, non-cash interest expense for the amortization of debt issuance costs and accretion of principal on the May 2023 Notes and May 2024 Notes of \$0.6 million, loss on change in derivative financial liabilities of \$14.8 million, losses on conversion and extinguishment of Convertible Notes of \$1.6 million, \$1.5 million loss on repayment of the May 2024 Notes, \$0.8 million from the loss on disposal of fixed assets, and stock based compensation of \$0.3 million. Cash used in operating activities includes a decrease in accounts receivable of \$0.1 million due to collections, a decrease of \$0.8 million in prepaid inventory deposits due to inventory being received, a decrease of \$0.9 million in inventory, a decrease of \$0.9 million in prepaid assets primarily due to lower insurance costs, a decrease of \$0.5 million in accounts payable, and an increase of \$1.6 million in accrued liabilities primarily due to the vendor settlements noted above and \$0.4 million used to pay our lease liabilities. As of December 31, 2024, we have a decrease of \$0.2 million in customer deposits, primarily due to orders being fulfilled for two of our Latin American distributors for shipments of Brats and Grunt EVOs paid for previously.

Net cash used in operating activities was \$29.6 million for the year ended December 31, 2023 and includes all of our operating costs except stock-based compensation of \$2.6 million, write-down of inventory of \$4.3 million, depreciation and amortization of \$0.2 million, non-cash interest expense for the amortization of debt issuance costs and accretion of principal on Convertible Notes and May 2023 Notes of \$5.0 million, gain on change in derivative financial liabilities of \$13.5 million, loss on extinguishment of Convertible Notes of \$22.3 million, bad debt expense of \$0.1 million. Cash used in operating activities includes a decrease in accounts receivable of \$0.6 million due to collections, increases in inventory of \$7.6 million due to the purchase of Brats, Volcon Youth motorcycles and purchases of inventory for the Stag after considering the write down of Grunt and Volcon Youth motorcycle inventory, a decrease of \$0.2 million in accounts payable, and an increase of \$1.1 million in accrued liabilities due primarily to the accrual recorded for the settlement to Torrot. As of December 31, 2023, we have an increase of \$0.4 million in customer deposits, primarily for orders to be fulfilled from two of our Latin American distributors for shipments of Brats and Grunt EVOs.

#### *Cash used in investing activities*

Net cash used in investing activities was \$0.2 million for the year ended December 31, 2024, primarily consisting of \$0.3 million of purchases of equipment and tooling offset by \$0.1 million received from an insurance settlement for a vehicle that was totaled in the period.

Net cash used in investing activities was \$0.9 million for the year ended December 31, 2023, consisting of \$0.9 million of purchases of equipment and tooling offset by proceeds of \$0.1 million received for the sale of two vehicles.

#### *Cash provided by financing activities*

Cash provided by financing activities for the year ended December 31, 2024, was \$10.4 million and was primarily related to the net proceeds from the issuance of common stock and pre funded warrants in July 2024 for net proceeds of \$10.8 million and net proceeds from the issuance May 2024 Senior Notes and May 2024 Note Warrants of \$2.3 million offset by the repayment of the May 2024 Senior Notes of \$2.9 million. We also received net proceeds of \$0.2 million for the issuance of common stock from our At The Market equity offering (“ATM”) established in October 2024 and proceeds of \$0.1 million for the exercise of Series B warrants.

Cash provided by financing activities for the year ended December 31, 2023, was \$27.1 million and was related primarily to proceeds from the public offerings of 42 shares of our common stock for net proceeds of \$4.6 million, issuance of convertible notes in a private offering with a principal amount of \$4.9 million and net proceeds of \$3.9 million, and proceeds from the public offering of 93 common stock units and 1,099 pre-funded warrants units for net proceeds of \$16.2 million. We also received proceeds of \$1.0 million from the exercise of 11 warrants and reduction of the exercise price for 12 warrants.

Our continuation as a going concern is dependent upon our ability to attain profitable operations and if necessary, obtain continued financial support from the issuance of debt or equity. As of December 31, 2024, we had incurred an accumulated deficit of \$166.3 million since inception. Subsequent to December 31, 2024, the Company received additional net proceeds from the issuance of common stock from our ATM of \$8.8 million. In addition, on February 6, 2025, the Company received net proceeds of \$10.7 million from the issuance of common stock units or pre-funded warrant units as more fully discussed in Note 10 to the accompanying financial statements.

Management anticipates that our cash on hand as of December 31, 2024 plus the cash raised from the ATM subsequent to December 31, 2024, net proceeds from the February 6, 2025 equity offering discussed above, and cash expected to be generated from operations will not be sufficient to fund planned operations beyond one year from the date of the issuance of the financial statements as of and for the year ended December 31, 2024. We do not have commitments for any such financing, and there can be no assurance that such additional funding would be available to the Company on acceptable terms, or at all. If we are unable to raise additional financing, we will be required to modify or curtail our operations. These factors raise substantial doubt regarding our ability to continue as a going concern.

As of December 31, 2024, we had shareholders’ equity of \$40,761. As described above, subsequent to December 31, 2024, we received additional net proceeds from the issuance of common stock from our ATM of \$8.8 million, and we received net proceeds of \$10.7 million from the issuance of common stock units or pre-funded warrant units. As of the date of this report, we estimate we have shareholders’ equity of over \$17.0 million.

#### **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**

None

**ITEM 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

[Report of MaloneBailey, LLP, Houston, TX](#) (PCAOB ID 206)

Financial Statements

[Consolidated Balance Sheets as of December 31, 2024 and December 31, 2023](#)

[Consolidated Statements of Operations for the years ended December 31, 2024 and 2023](#)

[Consolidated Statements of Stockholders Equity \(Deficit\) for the years ended December 31, 2024 and 2023](#)

[Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023](#)

[Notes to the Financial Statements](#)

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of Volcon, Inc. and its subsidiary (collectively, the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of operations, stockholders’ equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Going Concern Matter***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### ***Basis for Opinion***

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

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

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

*/s/ MaloneBailey, LLP*

www.malonebailey.com

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

Houston, Texas

March 31, 2025

**VOLCON, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,193,573	\$ 7,983,346
Restricted cash	105,000	210,000
Accounts receivable, net of allowance for doubtful accounts of \$99,233 and \$70,359 at December 31, 2024 and December 31, 2023, respectively	88,247	203,303
Inventory	1,455,477	8,973,134
Inventory deposits	191,156	258,316
Prepaid expenses and other current assets	1,032,699	1,904,197
<b>Total current assets</b>	<u>5,066,152</u>	<u>19,532,296</u>
Long-term assets:		
Property and equipment, net	206,138	1,258,607
Intangible asset, net	15,698	–
Other long-term assets	199,281	199,281
Right-of-use assets - operating leases	739,234	1,136,213
<b>Total assets</b>	<u>\$ 6,226,503</u>	<u>\$ 22,126,397</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 385,326	\$ 831,184
Accrued liabilities	1,379,191	3,128,906
Vendor settlements - short-term	2,092,975	–
Current portion of notes payable	7,181	15,278
Convertible notes, net of discount and issuance costs	–	30,149,579
Warrant liabilities	111,658	5,971,067
Right-of-use operating lease liabilities - short-term	443,950	399,611
Customer deposits	216,522	417,485
<b>Total current liabilities</b>	<u>4,636,803</u>	<u>40,913,110</u>
Notes payable, net of current portion	28,533	69,138
Vendor settlements - long-term	1,189,184	–
Right-of-use operating lease liabilities - long-term	331,222	775,170
<b>Total liabilities</b>	<u>6,185,742</u>	<u>41,757,418</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
Stockholders' equity (deficit):		
Preferred stock: \$0.00001 par value, 5,000,000 shares authorized, 25,000 shares designated, no shares issued and outstanding as of December 31, 2024 and December 31, 2023	–	–
Common stock: \$0.00001 par value, 250,000,000 shares authorized, 630,865 shares issued and outstanding as of December 31, 2024 and 1,291 shares issued and outstanding as of December 31, 2023	7	–
Additional paid-in capital	166,357,201	101,175,117
Accumulated deficit	(166,316,447)	(120,806,138)
<b>Total stockholders' equity (deficit)</b>	<u>40,761</u>	<u>(19,631,021)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 6,226,503</u>	<u>\$ 22,126,397</u>

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

**VOLCON, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Revenue:	\$ 4,037,191	\$ 3,260,988
Cost of goods sold	18,168,288	11,391,040
Gross margin	<u>(14,131,097)</u>	<u>(8,130,052)</u>
Operating expenses:		
Sales and marketing	2,548,953	7,405,705
Product development	2,668,330	7,868,985
General and administrative expenses	7,665,647	6,388,007
Total operating expenses	<u>12,882,930</u>	<u>21,662,697</u>
Loss from operations	<u>(27,014,027)</u>	<u>(29,792,749)</u>
Other income (expense)	33,981	(40,555)
Interest expense	(643,716)	(4,969,590)
Loss from extinguishment of debt	(1,647,608)	(22,296,988)
Issuance costs	-	(1,444,547)
Loss on repayment of debt	(1,470,554)	-
Gain (Loss) on derivative liabilities and warrant liabilities	(14,768,385)	13,473,218
Total other expense	<u>(18,496,282)</u>	<u>(15,278,462)</u>
Loss before provision for income taxes	<u>(45,510,309)</u>	<u>(45,071,211)</u>
Provision for income taxes	-	-
Net loss	<u>\$ (45,510,309)</u>	<u>\$ (45,071,211)</u>
Net loss per common share – basic	<u>\$ (146.90)</u>	<u>\$ (187,796.71)</u>
Net loss per common share – diluted	<u>\$ (146.90)</u>	<u>\$ (187,796.71)</u>
Weighted average common shares outstanding – basic	<u>309,798</u>	<u>240</u>
Weighted average common shares outstanding – diluted	<u>309,798</u>	<u>240</u>

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

**VOLCON, INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Series A Convertible Preferred Stock		Common stock		Additional paid-in capital	Accumulated deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
<b>Balance at January 1, 2024</b>	–	\$ –	1,291	\$ –	\$ 101,175,117	\$ (120,806,138)	\$ (19,631,021)
Issuance of common stock for exercise of pre-funded warrants	–	–	226,343	2	(2)	–	–
Issuance of common stock for exercise of Series A warrants	–	–	17,325	–	17,352,653	–	17,352,653
Proceeds received for exercise of buydown warrants	–	–	10	–	3,500	–	3,500
Common stock issued for conversion of convertible notes	–	–	4,971	–	7,395,907	–	7,395,907
Conversion of Convertible Notes for Preferred Stock	24,698	–	–	–	24,716,118	–	24,716,118
Conversion of Preferred Stock for common stock	(24,698)	–	279,043	3	(3)	–	–
Issuance of common stock for exercise of Series B Warrants	–	–	14,701	–	(1)	–	(1)
Reclassification of warrant liability to equity	–	–	–	–	3,405,662	–	3,405,662
Proceeds received for issuance of warrants with May 2024 Notes, net of issuance costs of \$111,194	–	–	–	–	1,023,200	–	1,023,200
Issuance of common stock and pre-funded warrants, net of issuance costs of \$1,210,753	–	–	102,605	1	10,789,260	–	10,789,261
Stock-based compensation	–	–	–	–	310,961	–	310,961
Exchange of Common Stock for Prefunded Warrants	–	–	(96,821)	–	–	–	–
Proceeds from sale of common stock from ATM, net if issuance costs of \$112,814	–	–	68,921	1	184,829	–	184,830
Common stock issued for reverse stock split due to rounding	–	–	12,476	–	–	–	–
Net loss	–	–	–	–	–	(45,510,309)	(45,510,309)
<b>Balance at December 31, 2024</b>	<u>–</u>	<u>\$ –</u>	<u>630,865</u>	<u>\$ 7</u>	<u>\$ 166,357,201</u>	<u>\$ (166,316,447)</u>	<u>\$ 40,761</u>

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

**VOLCON, INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Common stock		Additional paid-in capital	Accumulated Deficit	Total
	Number of Shares	Amount			
<b>Balance at January 1, 2023</b>	136	\$ —	\$ 76,369,940	\$ (75,734,927)	\$ 635,013
Issuance of common stock in public offerings, net of issuance costs of \$629,900	42	—	4,570,085	—	4,570,085
Issuance of common stock for exercise of stock options and vesting of restricted stock units	1	—	25,000	—	25,000
Issuance of common stock units in public offering, net of issuance costs of \$28,777	93	—	255,505	—	255,505
Issuance of pre-funded warrant units, net of issuance costs of \$342,071	—	—	3,037,121	—	3,037,121
Issuance of common stock for exercise of pre-funded warrants	1,006	—	8	—	8
Issuance of common stock for exercise of warrants	12	—	680,978	—	680,978
Proceeds received for reduction of warrant exercise price	—	—	346,500	—	346,500
Reclassification of derivative liabilities to equity	—	—	13,262,055	—	13,262,055
Stock-based compensation	1	—	2,627,925	—	2,627,925
Net loss	—	—	—	(45,071,211)	(45,071,211)
<b>Balance at December 31, 2023</b>	<u>1,291</u>	<u>\$ —</u>	<u>\$ 101,175,117</u>	<u>\$ (120,806,138)</u>	<u>\$ (19,631,021)</u>

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

**VOLCON, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
<b>Cash flow from operating activities:</b>		
Net loss	\$ (45,510,309)	\$ (45,071,211)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Loss on repayment of May 2024 Notes	1,470,554	–
Loss on extinguishment of convertible notes	1,314,065	22,296,988
Loss on conversion of convertible notes to common stock	333,544	–
Loss (gain) on change in fair value of financial liabilities	14,933,739	(13,473,218)
Gain on exercise of Series B Warrants	(165,355)	–
Stock-based compensation	310,961	2,627,925
Loss on write down of inventory and inventory deposits	9,286,071	4,282,321
Loss on lease termination	–	85,756
Loss on sale/write off of property & equipment	844,945	56,509
Bad debt expense	29,560	105,688
Non-cash interest expense	553,803	4,955,660
Amortization of right-of-use assets	396,979	369,774
Depreciation and amortization	362,138	249,207
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	85,496	555,967
Inventory	(933,844)	(7,609,564)
Inventory deposits	(767,410)	169,346
Prepaid assets and other current assets	871,498	(53,531)
Accounts payable	(445,859)	(205,444)
Accrued liabilities and vendor settlements	1,592,444	1,055,067
Right-of-use liabilities - operating leases	(399,609)	(359,347)
Customer deposits	(200,963)	394,014
<b>Net cash used in operating activities</b>	<b>(16,037,552)</b>	<b>(29,568,092)</b>
<b>Cash flow from investing activities:</b>		
Purchase of property and equipment	(312,090)	(949,722)
Proceeds from sale of property and equipment	23,717	–
Proceeds from insurance settlement	58,060	–
Proceeds from sale of vehicles	–	89,000
<b>Net cash used in investing activities</b>	<b>(230,313)</b>	<b>(860,722)</b>
<b>Cash flow from financing activities:</b>		
Repayment of notes payable	(48,702)	(80,394)
Proceeds from issuance of common stock and pre-funded warrants from public offering, net of issuance costs of \$1,210,753	10,789,261	–
Repayment of May 2024 Notes	(2,942,170)	–
Proceeds from issuance of May 2024 Notes and warrants, net of issuance costs of \$245,150	2,255,851	–
Proceeds from exercise of Series B Warrants	130,522	–
Proceeds from exercise of buy down warrants	3,500	–
Proceeds from sale of common stock from the At the Market equity offering, net of issuance costs of \$112,814	184,830	–
Proceeds from issuance of common stock from public offering, net of issuance costs of \$629,900	–	4,570,085
Proceeds from issuance of convertible notes and warrants, net of issuance costs of \$586,968	–	3,913,033
Proceeds from issuance of common stock units, net of issuance costs of \$28,777	–	255,505
Proceeds from issuance of pre-funded warrant units, net of issuance costs of \$342,071	–	3,037,121
Proceeds for issuance of Series A and Series B warrants issued with common stock and pre-funded warrant units	–	14,336,490
Proceeds from reduction of exercise price of warrants	–	346,500
Proceeds from exercise of warrants	–	680,978
Proceeds from exercise of stock options	–	25,000
<b>Net cash provided by financing activities</b>	<b>10,373,092</b>	<b>27,084,318</b>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(5,894,773)</b>	<b>(3,344,496)</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD</b>	<b>8,193,346</b>	<b>11,537,842</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD</b>	<b>\$ 2,298,573</b>	<b>\$ 8,193,346</b>

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

**VOLCON, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>2024</b>	<b>2023</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 88,710	\$ 15,935
Cash paid for income taxes	\$ —	\$ —
Non-cash transactions:		
Conversion of Convertible Notes for common stock	\$ 7,414,025	\$ —
Exchange of Convertible Notes for Preferred Stock	\$ 24,716,118	\$ —
Reclassification of warrant liability to equity for cashless exercise of Series A Warrants	\$ 17,352,653	\$ —
Reclassification of warrant liability to equity for modification of Series B Warrants	\$ 3,405,662	\$ —
Exchange of property & equipment in lieu of payments due for inventory purchases	\$ 60,000	\$ —
Exchange of finished goods inventory with vendor for raw materials inventory	\$ 417,285	\$ —
Conversion of preferred stock for common stock	\$ 3	\$ —
Issuance of common stock for exercise of prefunded warrants	\$ 2	\$ —
Acquisition of property and equipment with note payable	\$ —	\$ 96,024
Reclassification of derivative liabilities to equity	\$ —	\$ 13,262,055

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



**VOLCON, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION, NATURE OF OPERATIONS AND GOING CONCERN**

*Organization and Nature of Operations*

Volcon, Inc. (“Volcon” or the “Company”) was formed on February 21, 2020, as a Delaware corporation, under the name Frog ePowersports, Inc. The Company was renamed Volcon, Inc. on October 1, 2020. Volcon designs and sells 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 U. S. Volcon LLC is no longer used for selling vehicles and accessories.

*Going Concern*

The accompanying 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.

In February and March 2024, certain holders of the May 2023 Convertible Notes issued in May 2023 converted approximately \$7.4 million of principal to common stock. In March 2024, the holders exchanged the remaining May 2023 Convertible Notes of \$24.7 million for Series A Convertible Preferred Stock (“Preferred Stock”) with a \$1,000 per share value and an initial conversation price of \$1,064.00 per share for common stock (see Note 10). All covenants from the Convertible Notes were terminated upon this exchange.

As discussed further in Note 7 below, on May 22, 2024, the Company issued Senior Notes with an aggregate principal amount of \$2,942,170 due May 22, 2025 (the “May 2024 Notes”) for net proceeds of \$2,255,851. The holders of the May 2024 Notes also received fully vested warrants (the “May 2024 Note Warrants”) to purchase 12,686 shares of the Company’s common stock at an exercise price of \$232.00 per share. The May 2024 Note Warrants were exercisable beginning November 23, 2024 and expire November 23, 2029.

On July 12, 2024, the Company sold 102,605 shares of the Company’s common stock at a purchase price of \$29.20 per share and pre-funded warrants to purchase 308,355 shares of common stock at \$29.19992 per pre-funded warrant. The Company received net proceeds of \$10,789,261. Proceeds from this offering were used to repay the May 2024 Notes.

In October 2024, the Company established an At the Market equity offering (“ATM”) whereby the Company can sell up to \$100 million of its common stock. Through February 4, 2025, the Company has raised net proceeds of \$9,143,725. On February 6, 2025, the Company sold 430,000 common stock units and 5,570,000 pre-funded warrant units at \$2.00 per unit. The Company received net proceeds of \$10,703,882 from this offering.

Management anticipates that our cash on hand as of December 31, 2024 plus the cash expected to be generated from operations, and cash raised from the ATM and the February 6, 2025 equity offering will not be sufficient to fund planned operations beyond one year from the date of the issuance of the financial statements as of and for the year ended December 31, 2024. There can be no assurance that additional funding, if needed, would be available to the Company on acceptable terms, or at all. These factors raise substantial doubt regarding our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that may result should the Company be unable to continue as a going concern.

*Nasdaq Compliance*

On July 5, 2023, the Company received a notice from Nasdaq that it was not in compliance with Nasdaq’s Listing Rule 5550(b)(2), which requires that it maintain a market value of listed securities (“MVLS”) of \$35 million. MVLS is calculated by multiplying the Company’s shares outstanding by the closing price of its common stock. On December 19, 2023, the Company received a notice from Nasdaq that it was not in compliance with Nasdaq’s Listing Rule 5550(a)(2), as the minimum bid price of its common stock had been below \$1.00 per share for 30 consecutive business days.

On December 26, 2023, the Company was notified by Nasdaq that it was not in compliance with Nasdaq's Listing Rule 5810(c)(3)(A)(iii) as the closing bid price of our common stock had been below \$0.10 for ten consecutive trading days from December 11, 2023 through December 22, 2023 and was subject to delisting on January 2, 2024. On January 4, 2024, the Company received notice from Nasdaq that it did not meet the MVLS requirement and it was subject to delisting. The Company submitted a hearing request to Nasdaq's Hearings Department for both of these matters, which stayed the suspension of the Company's common stock. The Company participated in a hearing with Nasdaq's Hearings Department on March 26, 2024 and on April 2, 2024, they informed the Company that the Company has until June 24, 2024 to regain compliance with the above listing rules.

On June 11, 2024, the Company received a notice from the Nasdaq that the Company no longer met the minimum 500,000 publicly held shares requirement for Nasdaq and, as such, it no longer complied with Listing Rule 5550(a)(4). Furthermore, the notice indicated that this matter would serve as an additional basis for delisting the Company's securities from Nasdaq, that the Panel would consider this matter in their decision regarding the Company's continued listing on Nasdaq, and that the Company should present its views with respect to this additional deficiency to the Panel in writing no later than June 18, 2024. On June 18, 2024, the Company submitted a letter to Nasdaq notifying them that the Company was in compliance with Listing Rule 5550(a)(4) due to the issuance of additional shares of common stock from the conversion of preferred stock to common stock by certain Preferred Stockholders.

On July 17, 2024, Nasdaq informed the Company that it had regained compliance with the above listing rules but will continue to be monitored for ongoing compliance.

#### *Employment Matters*

On January 13, 2024, the Company's Chief Executive Officer ("CEO"), Jordan Davis, resigned his employment with the Company effective February 2, 2024. The Company entered into a 30-day consulting agreement with Mr. Davis and paid him \$12,500.

On January 30, 2024, John Kim, an independent board member of the Company signed an employment agreement with the Company to become the CEO effective February 3, 2024. Mr. Kim's salary is \$800,000 and he has an annual bonus of \$250,000. Mr. Kim will also receive 5% of the gross proceeds or other consideration if the Company completes a sale of substantially all of its assets or otherwise enters into a change of control transaction. Mr. Kim is also entitled to an equity award equal to 10% of the Company's fully diluted equity, subject to stockholder approval of an increase in the shares available under the 2021 Plan or a new equity plan.

On January 30, 2024, Greg Endo, the Company's Chief Financial Officer, signed a new employment agreement with the Company. Mr. Endo's salary was increased to \$300,000 and he will have an annual bonus of up to 50% of his salary as determined by the compensation committee of the board of directors. Mr. Endo had agreed to a reduction in the salary to \$238,500 through the end of 2024. On August 23, 2024 the compensation committee of the board of directors resolved that effective August 16, 2024 Mr. Endo's annual salary would be restored to \$300,000. Mr. Endo will also receive 5% of the gross proceeds or other consideration if the Company completes a sale of substantially all of its assets or otherwise enters into a change of control transaction. Mr. Endo is also entitled to an equity award equal to 4% of the Company's fully diluted equity, subject to stockholder approval of an increase in the shares available under the 2021 Plan or a new equity plan.

On February 23, 2024, Katherine Hale resigned her position as Chief Marketing Officer. Ms. Hale was provided a severance amount of \$112,500 which was paid out in three monthly installments beginning in March 2024.

#### *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 economies 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

### Basis of Presentation

The basis of accounting applied is the United States Generally Accepted Accounting Principles (U.S. GAAP). 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.

As discussed in Note 10, the Company completed a reverse 1 for 8 stock split on November 8, 2024, a reverse 1 for 100 stock split on June 6, 2024, a reverse 1 for 45 stock split on February 2, 2024 and a reverse 1 for 5 stock split on October 13, 2023.

Per the terms of the 1 for 8 reverse stock split on November 8, 2024, the Company agreed that no fractional shares would be issued in connection with the reverse stock split and that it would issue one full share of the post-reverse stock split common stock to any stockholder who would have been entitled to receive a fractional share as a result of the process. On November 19, 2024, the Company received notice from DTCC on behalf of the brokerage firms that hold the shares of Company common stock held in “street name” that in connection with the foregoing rounding of shares the Company would need to issue 188,950 shares of common stock. The Company does not believe the number of shares being requested is correct based on the historical number of shareholders of its common stock and is aware of similar occurrences in recent months for other companies completing a reverse stock split. As such, the Company has begun an inquiry into the calculations set forth in the request. During the pendency of this inquiry, the Company does not intend to issue any shares in connection with the fractional shares being requested. The Company may face potential liability for its failure to issue the shares of common stock if it is determined that it is required to issue such shares. These shares are not included in the shares outstanding as of December 31, 2024 or in the amounts included in the basic and diluted net loss per share amounts. See Note 12 for further discussion of the impact to basic and diluted net loss per share.

### Use of Estimates

The preparation of the financial statements in conformity with 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, Cash Equivalents and Restricted Cash

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. There were no cash equivalents as of December 31, 2024 or 2023. Restricted cash includes cash restricted as collateral for the Company’s corporate credit cards.

### Revenue Recognition

For sales to dealers or distributors, revenue is recognized when transfer of control of the product is made as there is no acceptance period or right of return. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring control of vehicles, parts, and accessories. Beginning in February 2023 the Company began selling the Brat E-Bike and Volcon Youth motorcycles directly to consumers in addition to dealers. Beginning in the third quarter of 2024, the Company began selling the Grunt EVO motorcycles directly to consumers in addition to dealers. Revenue for direct to consumer sales is recognized when transfer of control of the product is made to the consumer.

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. The Company's sales do not presently 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 rebates, 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 amounts charged to the customer and related shipping costs as a component of cost of goods sold when control has transferred to the customer.

**Product Warranties**

The Company vehicles come with warranties that vary depending on the vehicle and vehicle components. 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**

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

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

Raw materials inventory costs include the cost of parts, including duties, tariffs and shipping related to manufacturing and assembly of vehicles. At December 31, 2023, raw materials inventory represents parts associated with the manufacturing of the Stag. Finished goods also include spare parts for sale as replacement parts or for service and warranty or accessories for vehicles. There are no raw materials as of December 31, 2024 (see Note 3 below for further discussion).

**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 recorded using the straight-line method over the estimated useful lives of the assets as follows:

<b>Category</b>	<b>Estimated Useful Lives</b>
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**

The Company purchased the domain name VLCN.com and is amortizing this asset over three years. Amortization expense was \$1,427 for the year ended December 31, 2024.

### **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 expenses 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 expenses 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 implicit interest rates, therefore 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**

ASC Topic 820 *Fair Value Measurements and Disclosures* ("ASC Topic 820") provides a framework for measuring fair value in accordance with generally accepted accounting principles.

ASC Topic 820 defines fair value as 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. ASC Topic 820 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — Inputs that are unobservable for the asset or liability.

The following section describes the valuation methodologies that the Company used to measure different financial instruments at fair value.

#### *Debt*

The fair value of the Company's debt, which approximated the carrying value of the Company's debt as of December 31, 2023. Factors that the Company considered when estimating the fair value of its debt included market conditions, and term of the debt. The level of the debt would be considered as Level 2

The Company relies on the guidance provided by ASC Topic 480, *Distinguishing Liabilities from Equity*, to classify certain convertible instruments. The Company first determines whether a financial instrument should be classified as a liability. The Company will determine the liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

The Company accounts for derivative instruments in accordance with ASC Topic 815, *Derivatives and Hedging* ("ASC Topic 815"), and all derivative instruments are reflected as either assets or liabilities at fair value on the consolidated balance sheets. The Company uses estimates of fair value to value its derivative instruments. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between able and willing market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads, relying first on observable data from active markets. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. The Company categorizes its fair value estimates in accordance with ASC Topic 820, based on the hierarchical framework associated with the three levels or price transparency utilized in measuring financial instruments at fair value as discussed above.

Once the Company determines that a financial instrument should not be classified as a liability, the Company determines whether the financial instrument should be presented between the liability section and the equity section of the balance sheet ("temporary equity"). The Company will determine temporary equity classification if the redemption of the financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

#### *Initial Measurement*

The Company records its financial instruments classified as a liability, temporary equity or permanent equity at issuance at the fair value, or cash received.

#### *Subsequent Measurement - Financial instruments classified as liabilities*

The Company records the fair value of its financial instruments classified as liabilities at each subsequent measurement date. The changes in fair value of its financial instruments classified as liabilities are recorded as other expense/income. The Monte Carlo simulation is used to determine the fair value of derivatives for instruments with embedded conversion features and for free standing warrants as discussed further in Note 8.

#### *Additional Disclosures Regarding Fair Value Measurements*

The carrying value of cash, accounts receivable, inventory, other assets, and accounts payable and accrued expenses approximate their fair value due to the short-term maturity of those items.

#### *Warrant Liabilities and Convertible Liabilities*

The fair value of the derivative liabilities and warrant liabilities is classified as Level 3 within the Company's fair value hierarchy. Refer to Note 8, Derivative Instruments, for further discussion of the measurement of fair value of the derivatives and their underlying assumptions.

#### **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.

#### **Concentration Risk**

The Company outsources certain portions of product design and development for its vehicles to third parties. In addition, the Company has outsourced the manufacturing of all of its vehicles to third party manufacturers.

On January 8, 2024, the Company notified the manufacturer of the Volcon Youth motorcycles that it was terminating the co-branding and distribution agreement with them due to lower than anticipated sales of these units. In March 2024, the Company agreed to allow the manufacturer to keep all fully paid for units manufactured and held by the manufacturer, cease selling the Volcon Youth motorcycles as of June 30, 2024, and pay cash of \$2,070,000 which included a payment of \$370,000 in March 2024 and \$100,000 monthly for seventeen months starting April 2024. All Volcon Youth inventory was written off as of June 30, 2024.

The settlement was recorded in the financial statements for the year ended December 31, 2023. On October 2, 2024, the Company and the manufacturer amended the settlement agreement and the Company agreed to pay the manufacturer \$300,000 by October 31, 2024 to fully settle the remaining payments under the March 2024 agreement and to return any remaining spare parts and finished goods held by the Company in its Texas warehouse. The Company recognized a reduction of expense of \$700,000 in cost of goods sold in the year ended December 31, 2024 related to this amendment.

In June 2024, the Company was notified by the manufacturer of a suspension component for the Stag that due to the Company's initial production forecast provided by the third party manufacturer of the Stag, the vendor had acquired raw materials to fulfill several months' worth of this component needed for the forecast. Although the Company had provided updated forecasts to the third party manufacturer of the Stag, the revised forecasts were not provided timely to this vendor. The Company entered into an agreement to pay for the excess raw materials by making weekly payments of \$13,791 and to purchase remaining finished goods of \$110,000. The Company recorded an expense of \$1,091,308 in cost of goods sold for the year ended December 31, 2024. The short-term and long-term liability as of December 31, 2024 is \$661,586 and \$109,163 respectively.

On December 6, 2024, the Company entered into a Settlement Agreement and Mutual Release (“Agreement”) with GLV, the manufacturer of the Stag and Grunt EVO, pursuant to which the Company and the manufacturer agreed to terminate the Supplier Agreement dated March 11, 2022 for the development and engineering of the Volcon Stag vehicle prototypes; the Supplier Agreement dated May 29, 2022 for the manufacturing of the Volcon Grunt EVO motorcycle; and the Supplier Agreement dated August 11, 2022 for the manufacturing of the Volcon Stag vehicle (collectively, the “Supplier Agreements”). Pursuant to the Agreement, among other items, the Company and the manufacturer agreed to indemnify each other with respect to certain outstanding vendor payables and the Company agreed to pay GLV a termination fee of \$125,000 per month for a period of twenty-two months.

### Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, requiring public companies to disclose information about their reportable segments’ significant expenses and other segment items on an interim and annual basis. Public companies with a single report segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements of ASU 2023-07 during the year ended December 31, 2024. The Company operates as one operating segment and the Company’s CEO is the chief operating decision maker (“CODM”). The CODM uses the consolidated statement of operations to assess financial performance and allocate resources.

The following table presents the selected financial information with respect to the Company’s single operating segment:

	Years Ended December 31,	
	2024	2023
Revenue	\$ 4,037,191	\$ 3,260,988
Cost of goods sold	(18,168,288)	(11,391,040)
Gross Margin	(14,131,097)	(8,130,052)
Sales & Marketing	2,548,953	7,405,705
Product Development	2,668,330	7,868,985
General & Administrative	7,665,647	6,388,007
Total Operating Expenses	12,882,930	21,662,697
Loss from Operations	(27,014,027)	(29,792,749)
Other Income (Expense)	(18,496,282)	(15,278,462)
Net loss	\$ (45,510,309)	\$ (45,071,211)

### NOTE 3 – INVENTORY

Inventory consists of the following:

	December 31, 2024	December 31, 2023
Raw materials	\$ –	\$ 6,770,892
Finished goods	1,455,477	2,202,242
Total inventory	\$ 1,455,477	\$ 8,973,134

During 2024, the Company lowered the sales price of the Grunt EVO which was sold to dealers and distributors. Since the unit sales price was below the unit cost the Company paid to the manufacturer, the Company wrote down the Grunt EVO finished goods inventory and recorded an expense of \$674,379. In March 2025, the Company sold all of the remaining Grunt EVO finished goods.



In October 2024, the Company notified the manufacturer of the Stag that the Company intended to terminate the manufacturing agreement between the parties due to, among other things, significant cost increases for finished units over the original contracted cost. The Company wrote down all of the Stag raw materials inventory as of September 30, 2024. The Company concluded it would not be able to recover the inventory since it was in the manufacturer's possession at the time, and even if it could the Company does not believe that it could find another manufacturer who could build the Stag without the Company incurring significant additional costs to have the manufacturer set up a production facility. In addition, the Company wrote off all prepaid deposits and advances paid to vendors and the manufacturer of the Stag. The total write-off related to Stag inventory, prepaid inventory and advances was \$8,712,644. As noted above, the Company and the manufacturer entered into a settlement agreement and terminated the manufacturing agreement which included giving all raw materials inventory to the manufacturer.

In June 2023, the Company wrote down all remaining Torrot branded inventory in the amount of \$84,000. During 2023, the Company wrote down the Volcon co-branded Torrot youth motorcycles in the amount of \$2,674,352 to reduce their cost to the estimated net realizable value. The Company also wrote off all remaining Grunt raw materials inventory of \$1,564,643 upon transfer of the inventory to the Company's third party manufacturer.

As of December 31, 2024, the Company has purchase commitments for future payments due for inventory of \$376,945.

#### NOTE 4 – LONG – LIVED ASSETS

##### *Property and Equipment*

Property and equipment consist of the following:

	December 31, 2024	December 31, 2023
Machinery, tooling and equipment	\$ 145,192	\$ 1,015,568
Vehicles	185,482	213,528
Internal use manufactured vehicles	109,268	22,906
Fixtures & furniture	50,768	90,768
Leasehold improvements	44,663	44,663
Computers	217,341	221,571
	<u>752,714</u>	<u>1,609,004</u>
Less: Accumulated depreciation	(546,576)	(350,397)
Total property and equipment	<u>\$ 206,138</u>	<u>\$ 1,258,607</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$360,711 and \$243,394, respectively

#### NOTE 5 – NOTES PAYABLE

In March 2023, the Company entered into two financing arrangements to purchase two vehicles. The total principal of these arrangements is \$96,024 with interest rates of 11.44% and 8.63% and monthly payments totaling \$1,923 are due through February 2028 and \$908 per month until February 2029. The vehicles are collateral for these arrangements. In February 2024, one of the vehicles was involved in an accident and was totaled. The note payable associated with this vehicle was paid off with the proceeds received from the insurance carrier.

The following table provides the maturities of notes payable as of December 31, 2024:

2025	\$	10,898
2026		10,898
2027		10,898
2028		10,898
2029		1,816
Total future payments		45,408
Less: Interest		(9,694)
Total notes payable		35,714
Less current portion		(7,181)
Long-term notes payable	\$	<u>28,533</u>

#### NOTE 6 - CONVERTIBLE NOTES

On August 24, 2022, the Company issued Senior Convertible Notes (“Convertible Notes”) with an aggregate principal amount of \$27,173,913 due February 24, 2024. The holders of the Convertible Notes also received fully vested warrants (the “Note Warrants”) to purchase 51 shares of the Company’s common stock at an initial exercise price of \$405,000.00 per share. The conversion and warrant exercise prices were subject to adjustment if the Company declared a stock dividend, stock split or recapitalization. The Company incurred debt issuance costs of \$3,316,409 upon issuance of the Convertible Notes, which includes \$616,730 for the fair value of the warrants issued to the placement agent of the Convertible Notes as further described in Note 10. These debt issuance costs were amortized as additional interest expense through May 24, 2023 when the Convertible Notes were exchanged as discussed below.

The Company allocated the net proceeds received from the issuance of the Convertible Notes and Note Warrants based on the relative fair values of each resulting in net proceeds of \$15,122,345 being allocated to the Convertible Notes and net proceeds of \$6,561,247 being allocated to the Note Warrants which was recorded in equity. The Company recorded non-cash interest expense through May 24, 2023 to accrete the allocated value of the Convertible Notes using the effective interest method and an interest rate of 39.6%. Interest expense, including amortization of issuance costs, recorded for the Convertible Notes for the year ended December 31, 2023 was \$2,913,632, prior to the recognition of the unamortized discount and issuance costs upon issuance of the additional Senior Convertible Notes noted below.

On May 24, 2023, the Company issued additional Senior Convertible Notes (“New Notes”) with an aggregate principal amount of \$4,934,783 due February 24, 2024 to the same investors of the Convertible Notes. The New Notes had an initial conversion price of \$457,200.00 per share of common stock, which was adjusted to \$135,000.00 upon stockholder approval received on August 3, 2023. The conversion price was also subject to further adjustment if the Company completed an equity or convertible note offering with a price below \$135,000.00, or completed a stock split, reverse stock split or recapitalization where the lowest day’s volume weighted average price (“VWAP”) of the Company’s stock price is below \$135,000.00 in the five days following the stock split, with a floor price of \$0.22 (subject to stockholder approval, which was obtained on August 3, 2023). The conversion price was also subject to further adjustment if the Company completed an equity or convertible note offering with a price below \$135,000.00. The New Notes were issued with an original issue discount of 8.8% and did not bear interest unless an event of default had occurred, upon which interest accrued at 10% per annum.

The holders of the New Notes also received fully vested warrants (the “New Warrants”) to purchase 31 shares of the Company’s common stock at an initial exercise price of \$196,200.00 per share. The New Warrants expire August 24, 2027.

The Company incurred debt issuance costs of \$586,968 upon issuance of the New Notes and New Warrants. The Company amortized these issuance costs as additional interest expense over the remaining term of the New Notes.

Concurrent with the issuance of the New Notes, the Company exchanged the Convertible Notes into two new notes, Series A Notes and Series B Notes both due February 24, 2024 (collectively the “Exchange Notes” and collectively with the New Notes the “May 2023 Notes”). The aggregate principal amount of Series A Notes was \$3,690,422 and these were convertible into the Company’s common stock at an initial conversion price of \$135,000.00 per share. The aggregate principal amount of the Series B Notes was \$23,483,491 and were convertible into the Company’s common stock at an initial conversion price of \$196,200.00 which was adjusted to \$135,000.00 upon stockholder approval received on August 3, 2023.

In September 2023, the holders of the May 2023 Notes agreed to modify the due date of these notes to January 31, 2025. The Company also executed a security interest to the holders for substantially all of the assets of the Company.

Events of default for the May 2023 Notes were defined in the note agreements and the Company was in compliance with all covenants until the May 2023 Notes were exchanged for Series A Convertible Preferred Stock (“Preferred Stock”) on March 4, 2024 as discussed below.

The fair value of the May 2023 Notes was estimated based on the future cash flows discounted at an interest rate of 14.9%. The May 2023 Notes were recorded at their initial fair values as follows:

	<b>Fair Value</b>	<b>Principal Amount</b>
New Notes	\$ 4,410,058	\$ 4,934,783
Series A Exchange Notes	3,298,012	3,690,422
Series B Exchange Notes	20,986,449	23,483,891
Total May 2023 Notes	<u>\$ 28,694,519</u>	<u>\$ 32,109,096</u>

The Company estimated the fair value of the conversion features of the New Notes, Exchange Notes, New Warrants and Exchange Warrants as of May 24, 2023, as discussed in Note 8 below.

The Company recognized interest expense of \$314,838 and \$2,042,078 in the years ended December 31, 2024 and 2023 for the accretion of the discount and amortization offering costs on the May 2023 Notes.

The Company also exchanged the 51 Note Warrants with an exercise price of \$513,000.00 per share issued with the Convertible Notes in August 2022 for 95 warrants which had an initial exercise price of \$196,200.00 per share (the “Exchange Warrants”) and was adjusted to \$135,000.00 per share upon stockholder approval received on August 3, 2023. The Exchange Warrants expire August 24, 2027.

The conversion prices of the Exchange Notes, and the exercise prices of the New Warrants and Exchange Warrants (collectively the “May 2023 Warrants”) were subject to further adjustment in the event that the Company issues additional common stock, stock options, warrants or convertible notes with prices below the exercise price in effect at the time of issuance, or completes a stock split, reverse stock split or recapitalization where the lowest day’s VWAP of the Company’s stock price is below the then exercise price in the five days following the stock split with a floor of \$0.22 per share.

The Company evaluated the issuance of the New Notes and Exchange Notes and related warrants and determined that the Convertible Notes were extinguished based on the conclusion that the terms of the New Notes and Exchange Notes are substantially different from the Convertible Notes in accordance with ASC 470, *Debt*. In addition, the Company recognized a loss on the extinguishment of the Convertible Notes based on the carrying value of the Convertible Notes at the transaction date, plus gross proceeds received from the issuance of New Notes and New Warrants, less the fair value of the i) New Notes and conversion option, ii) New Warrants, iii) Exchange Notes and conversion options, and iv) Exchange Warrants. The resulting loss on extinguishment of the Convertible Notes was \$22,296,988 (including unamortized issuance costs of \$1,330,296) which was recorded in the year ended December 31, 2023.

The May 2023 Notes contain certain conversion limitations, providing that no conversion may be made if, after giving effect to the conversion, the holder, together with any of its affiliates, would own in excess of 9.99% of the Company’s outstanding shares of common stock after giving effect to such conversion. The Company had the option to force conversion of the Series A and Series B Notes but the weighted average price of the Company’s common stock did not equal or exceed the amounts specified in the May 2023 Note agreements while these notes were outstanding.

In September 2023, the Company and the holders of the Exchange Warrants entered into a warrant inducement agreement whereby the Exchange Warrant holders agreed to exercise 11 Exchange Warrants at a reduced exercise price of \$63,000.00 per share. The Company issued the holders 11 warrants (“Reload Warrants”) with an initial exercise price of \$90,000.00 per share. The Reload Warrants are immediately exercisable for unregistered shares of the Company’s common stock and have the same terms as the May 2023 Warrants and expire August 24, 2027. The Company recognized equity issuance costs of \$216,855 in the year ended December 31, 2023 for the issuance of the Reload Warrants.

The May 2023 Warrants and Reload Warrants contained certain conversion limitations, providing that a holder thereof may not exercise such warrants to the extent that, if after giving effect to such conversion, the holder or any of its affiliates would beneficially own in excess of 4.99% of the outstanding shares of the Company's common stock immediately after giving effect to such exercise. The May 2023 Warrants and Reload Warrants provide the holders the right to exercise these warrants on a non-cash basis if the Company does not have an effective registration statement for the underlying shares of common stock.

Holders of the May 2023 Notes, the May 2023 Warrants and Reload Warrants did not have voting rights to the extent they did not convert their notes or exercise their warrants.

In September 2023, the Company completed a public offering and sold 8 shares of common stock at \$90,000.00 per share. The holders of the May 2023 Notes waived their right to reduce the conversion price to the equity issuance price and agreed to reduce the conversion price to \$99,000.00 per share. The exercise price of the May 2023 Warrants was reduced to \$90,000.00 per share as a result of the public offering.

On October 13, 2023, the Company completed a 1 for 5 reverse stock split and the lowest day's VWAP in the five days following the reverse split was \$49,284.00 per share and the conversion price of the May 2023 Notes, and the exercise price of the May 2023 Warrants were reduced to \$49,284.00 per share effective October 20, 2023. On February 2, 2024, the Company completed a reverse 1 for 45 stock split. As a result, the conversion price of the May 2023 Notes and exercise price of the May 2023 Warrants were subject to adjustment to the lowest day's VWAP in the five-day period following the reverse split, which was \$1,491.68 per share effective February 12, 2024.

During the three months ended March 31, 2024, \$7,414,025 of principal of the May 2023 Notes were converted into 4,971 shares of common stock. The Company recognized a loss of \$333,544 on the conversion including the write off of \$55,490 of unamortized debt issuance costs in the year ended December 31, 2024. The remaining principal of the May 2023 Notes of \$24,716,118 was exchanged for 24,698 shares of Series A convertible Preferred Stock with a stated value of \$1,000 and an initial conversion price of \$1,064.00. The Company recognized a loss on the exchange of the Convertible Notes for Preferred Stock of \$1,314,065, which includes unamortized issuance costs of \$182,009, in the year ended December 31, 2024.

As a result of the exchange for Preferred Stock, the May 2023 Notes are no longer outstanding, there are no remaining covenants related to the May 2023 Notes that the Company must comply with and the security interest on the assets of the Company has been released by the noteholders. The May 2023 Warrants exercise price was reduced to \$1,064.00 as a result of this exchange. See further discussion in Note 10.

#### NOTE 7 - MAY 2024 SENIOR NOTES

On May 22, 2024, the Company issued Senior Notes with an aggregate principal amount of \$2,942,170 due May 22, 2025 (the "May 2024 Notes") for proceeds before expenses of \$2,501,001 (issuance costs were \$245,150). The notes were issued with an original issue discount of 15% and do not bear interest unless an event of default occurs, upon which interest will accrue at 10% per annum. Pursuant to the terms of the May 2024 Notes, if the Company completes an equity or debt offering while any principal of the May 2024 Notes is outstanding, thirty percent of the proceeds from such offering are required to be used to repay the outstanding principal of the May 2024 Notes until they are fully repaid. The holders of the May 2024 Notes also received fully vested warrants (the "May 2024 Note Warrants") to purchase 12,686 shares of the Company's common stock at an exercise price of \$232.00 per share. The May 2024 Note Warrants were exercisable beginning November 23, 2024 and expire November 23, 2029. The number of warrants and the exercise price are subject to adjustment if the Company declares a stock dividend, stock split or recapitalization.

The Company allocated the net proceeds received from the issuance of the May 2024 Notes and May 2024 Note Warrants based on the relative fair values of each resulting in net proceeds of \$1,232,651 being allocated to the May 2024 Notes recorded as a current liability in the balance sheet and net proceeds of \$1,023,200 being allocated to the May 2024 Note Warrants which was recorded in equity.

Principal amount	\$	2,942,170
Unamortized discount and issuance costs		(1,525,700)
Net carrying amount	\$	<u>1,416,470</u>

During the year ended December 31, 2024, the Company recorded non-cash interest expense of \$238,965 to accrete the allocated value of the May 2024 Notes, which includes the amortization of debt issuance costs. As discussed further in Note 10, the May 2024 Notes were fully repaid on July 12, 2024 and a loss of \$1,470,554 was recognized in the year ended December 31, 2024 for the early extinguishment of these notes.

**NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS AND WARRANT LIABILITIES****May 2023 Notes and May 2023 Warrants**

As discussed in Note 6, the Company recognized a loss on the extinguishment of the Convertible Notes based on the fair values of the May 2023 Notes including the conversion feature, and the May 2023 Warrants. The Company determined that there was a derivative liability associated with the conversion features in the May 2023 Notes due to the conversion price being subject to stockholder approval in the conversion feature. Therefore, the Company separated the conversion features from the May 2023 Notes and recorded them at fair value and continued to adjust them to fair value until stockholder approval was received on August 3, 2023 as the conversion price is then only adjusted based on anti-dilutive provisions. The Company also determined that the May 2023 Warrants were derivative liabilities due to the potential adjustment in the exercise prices being subject to stockholder approval. Once stockholder approval was received on August 3, 2023, the exercise price of the warrants only adjusts based on anti-dilutive provisions and they are no longer derivative liabilities

The fair value of the conversion features and warrant liabilities were calculated using a Monte Carlo simulation and the following assumptions and methodologies:

	<u>May 24, 2023</u>	<u>August 3, 2023</u>
<b>Conversion Feature Liabilities</b>		
Company stock price on valuation date	\$ 126,000.00	\$ 99,180.00
Volatility (closing prices of guideline comparable public companies)	86.3%	84.1%
Conversion price per share	\$ 135,000.00	\$ 135,000.00
Note term (years)	0.76	0.56
Risk free interest rate	5.1%	5.4%
<b>Warrant Liabilities</b>		
Company stock price on valuation date	\$ 126,000.00	\$ 99,180.00
Volatility (closing prices of guideline comparable public companies)	119.2%	115.0%
Conversion price per share	\$ 135,000.00	\$ 135,000.00
Warrant term (years)	4.25	4.06
Risk free interest rate	3.8%	4.3%

In addition to the above factors, the Company also used a probability assessment for the initial and August 3, 2023 valuation to evaluate whether stockholder approval would be received to lower the conversion and exercise prices. The Company utilized a 50/50 assessment that stockholders would or would not approve the lower conversion and exercise price. Management notes that at the time of the assessment, the stockholder vote had not yet started therefore there was no data to determine whether one scenario was more likely than another. Since the stockholders approved the lower conversion and exercise price on August 3, 2023, no probability assessment was used.

Based on the above factors, the estimated fair value of the Company's derivative liabilities carried at fair value at May 24, 2023 and August 3, 2023 is as follows:

	<u>May 24, 2023</u>	<u>August 3, 2023</u>
Conversion Feature - New Notes	\$ 663,096	\$ 557,168
Conversion Feature - Series A Exchange Notes	970,805	416,672
Conversion Feature - Series B Exchange Notes	4,324,792	2,651,436
New Warrants	3,123,682	2,445,244
Exchange Warrants	9,287,474	7,191,535
Total	<u>\$ 18,369,849</u>	<u>\$ 13,262,055</u>

On August 3, 2023, stockholders approved the adjustment of the conversion price of the New Notes and Exchange Notes and the exercise price of the New Warrants and Exchange Warrants. The conversion and exercise prices can adjust to a floor of \$0.22 per share based on certain events defined in the agreements related to these instruments. The Company concluded that as of August 3, 2023, the conversion feature of the May 2023 Notes and the May 2023 Warrants are no longer derivative liabilities and reclassified them to equity on August 3, 2023. The Company recognized a gain of \$5,107,794 for the change in the fair values of the conversion features of the May 2023 Notes and May 2023 Warrants for the year ended December 31, 2023.

#### **Series A and Series B Warrants**

As discussed in Note 10 below, the Company issued Series A and Series B Warrants (the “November 2023 Warrants”) in connection with the sale of common units and pre-funded warrant units. Under the terms of the November 2023 Warrants, the number and exercise price are subject to adjustment if the Company completes certain transactions specified in these warrant agreements. In addition, the Series A Warrants have a cashless exercise provision, if approved by stockholders, that would allow holders to cashless exercise one warrant for three shares of the Company’s common stock. Such adjustments were subject to stockholder approval (which was received on January 12, 2024) and are further described in Note 10.

The Company has determined that these warrants should be classified as liabilities and has used a Monte Carlo simulation to estimate the fair value. The following assumptions were used in the valuations:

	<b>December 31, 2023</b>
Company stock price on valuation date	\$ 35.68
Volatility	141.4%
Risk free interest rate	3.78%
Dividend yield	0.00%
Warrant term (years)	4.9
Time to future transaction (years)	0.63
Future transaction probability	75%

In addition to the above factors, the Company also used a probability assessment for the initial and December 31, 2023 valuation to evaluate whether stockholder approval would be received on January 12, 2024 to lower the conversion and exercise prices. Management notes that at the time of the assessment, the stockholder vote had not yet started but there was a requirement in the offering that the board of directors, management, and a significant stockholder vote in favor of these adjustments which included approximately 20.1% of the shares outstanding as of the transaction date. Further, significant investors in the transaction held shares acquired prior to the record date for eligible stockholders to vote. Although these same investors could not vote the shares received in the November 17, 2023 offering, they could abstain from voting those shares for the stockholder vote and such shares would count towards whether a quorum of shares was received to hold the special meeting for the stockholder approval. Finally, management notes that approval was overwhelmingly positive to adjust the conversion price for the May 2023 Notes and May 2023 Warrants and exercise prices. The Company concluded that it was 100% likely that stockholders would approve the provisions to adjust the number of warrants and exercise price.

Based on the above factors, the estimated fair value of the Series A and Series B Warrant liabilities at December 31, 2023 is as follows:

	<b>December 31, 2023</b>
Series A Warrant	\$ 0.2970
Series B Warrant	\$ 0.0799

The Company allocated the gross proceeds from the issuance of the common units and pre-funded warrant units based on the relative fair values from the November 17, 2023 valuation resulting in a value of \$10,990,530 and \$3,345,961 being allocated to the Series A and Series B warrants, respectively. An allocation of the issuance costs from the offering was made based on the relative fair values of the common stock, pre-funded warrants, Series A and Series B warrants and issuance costs of \$1,451,249 that were allocated to the Series A and Series B Warrants were expensed in the fourth quarter of 2023.

Subsequent to the approval by stockholders of the cashless exercise provision of the Series A Warrant, the fair value of each Series A Warrant is the value of three shares of the Company's common stock. Based on the closing price of the Company's common stock on December 31, 2024 of \$4.37, the fair value of each Series A Warrant is \$13.11 and based on the total number of warrants outstanding of 8,517, the warrant liability for Series A Warrants is \$111,658 at December 31, 2024.

As discussed in Note 10 below, on May 17, 2024, certain terms of the Series B Warrants were amended, including a cashless exercise provision, which resulted in the Series B warrants no longer being liabilities. The fair value of each Series B warrant is the value of the closing stock price of the Company times 0.81, the cashless exercise exchange ratio. Based on the closing price of the Company's common stock on May 17, 2024 of \$231.20, the fair value of each Series B Warrant is \$187.27. A loss of \$2,174,673 was recognized in the year ended December 31, 2024, for the change in fair value of the Series B Warrants from December 31, 2023 to May 17, 2024. The fair value of the Series B Warrants of \$ 3,405,662 as of May 17, 2024 was reclassified to equity.

As discussed in Note 10, certain holders of the Series A and Series B Warrants exercised their warrants. The Company reclassified the fair value of the Series A Warrants exercised on a cashless basis to stockholders equity. The Company recognized a gain of \$165,355 from the exercise of the Series B Warrants based on the proceeds received from the exercise and the estimated fair value of the Series B Warrants on the date of exercise.

The following represents the activity associated with the Series A and Series B Warrants for the year ended December 31, 2024:

	Series A	Series B	Total
Fair value on December 31, 2023	\$ 4,705,245	\$ 1,265,822	\$ 5,971,067
Loss on changes in fair value	12,759,066	2,174,673	14,933,739
Exercise of warrants	(17,352,653)	(34,833)	(17,387,486)
Reclassification to equity	-	(3,405,662)	(3,405,662)
Balance at December 31, 2024	<u>\$ 111,658</u>	<u>\$ -</u>	<u>\$ 111,658</u>

#### NOTE 9 – RELATED PARTY TRANSACTIONS

In March 2024, the Company entered into a consulting agreement with Christian Okonsky, one of the Company's founders, former Chairman of the Board and former Chief Technology Officer, pursuant to which he was entitled to a monthly fee of \$5,000 and payment of 1% of the gross proceeds from any merger, sale or change of control transaction ("Change of Control Payment") (as determined by the board of directors) entered into by the Company for a period of up to 6 months following the termination of the consulting agreement. The consulting agreement had a 24 month term and was cancellable by either party with 30 days notice. This consulting agreement terminates any remaining provisions of the Pink Possum agreement noted below other than the warrants remain outstanding. On September 9, 2024, Mr. Okonsky resigned from the board of directors of the Company. The consulting agreement was amended and the monthly fee was amended to \$8,333 per month for twelve months and the Change of Control Payment was eliminated. In October 2024, Ms. Karin-Joyce Tjon, a current independent board member, was appointed by the board to be the chairman of the board.

In December 2022, the Company entered into an employment agreement with Mr. Okonsky whereby Mr. Okonsky became an employee on January 2, 2023 with an annual salary of \$170,000 and healthcare and other benefits that are also provided to all Company employees. The consulting agreement with Pink Possum, discussed below, was terminated upon execution of the employment agreement. Mr. Okonsky informed the Company on January 27, 2024 that he would resign his employment and forfeit his salary and benefits effective February 1, 2024.

In November 2020 and February 2021, 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. In October 2021, the Company began discussions for an additional amendment to the lease, in anticipation of manufacturing vehicles at this location, which would have resulted in the monthly payment of \$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 would have begun at the time a certificate of occupancy was received by the landlord. No monthly rent payments were made on these leases.

On April 27, 2022, the Company informed the landlord that it would be terminating the lease. On May 27, 2022, the landlord notified the Company that the landlord would refund \$85,756 of the prepaid rent and security deposit balance of \$601,818 paid by the Company and the Company recognized a loss on the unrefunded prepaid rent and security deposit amount in 2022. In October 2023, the landlord notified the Company that there were additional costs that exceeded the amount of the refund, and the landlord released the Company from paying any amounts in excess of the original expected refund. The landlord also released the Company from any remaining obligations under the lease and amendments. The Company recognized a loss on the termination of this lease of \$85,756 in the year ended December 31, 2023.

On August 28, 2020, the Company entered into consulting agreements with Pink Possum, an entity controlled by Mr. Okonsky, and Highbridge Consultants, LLC (“Highbridge”), an entity controlled by Mr. Adrian James, a co-founder of the Company, pursuant to which Messrs. Okonsky and James provide the Company with services in exchange for warrants. 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 27 and 35 shares, respectively, of common stock at an exercise price of \$176,400.00. The Highbridge warrants were fully exercised on a cashless basis in 2021 and the Pink Possum warrants remain outstanding as of December 31, 2024.

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 the original consulting agreements, or August 28, 2030. The foregoing provision was terminated as to Pink Possum in connection with the consulting agreement between the Company and Mr. Okonsky described above.

#### **NOTE 10 – STOCKHOLDERS’ EQUITY**

On June 14, 2023, the Company’s stockholders approved an increase in the Company’s authorized shares of common stock from 100,000,000 to 250,000,000. 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.

On October 13, 2023, the Company completed a reverse 1 for 5 stock split. On February 2, 2024, the Company completed a reverse 1 for 45 stock split. On June 6, 2024, the Company completed a reverse 1 for 100 stock split. On November 8, 2024, the Company completed a reverse 1 for 8 stock split. Any fractional shares as a result of the reverse stock splits were rounded up to one full share of common stock.

#### ***Common Stock***

On May 24, 2023, the Company sold 34 shares of its common stock in a public offering at \$135,000.00 per share. The Company received net proceeds of \$3,998,685 after underwriter commissions and expenses of \$501,300.

On September 18, 2023, the Company sold 8 shares of its common stock in a public offering at \$90,000.00 per share. The Company received net proceeds of \$571,400 after underwriter commissions and expenses of \$128,600. The underwriter was also issued a warrant to purchase 2 shares of the Company’s common stock at an exercise price of \$112,500.00 per share that expires 5.5 years from the date of issuance. The underwriter agreement provided the underwriter with a right of first refusal for any additional securities third parties offerings within twelve months of this offering.



As discussed in Note 6 above, on May 24, 2023 the Company issued the May 2023 Notes and May 2023 Warrants, along with the warrants to the placement agent in August 2022 with the issuance of the Convertible Notes. The Company received consent from the underwriter to issue such securities. In addition, the Company was required to reserve 601 shares of common stock for future issuance of shares for the conversion of the May 2023 Notes and exercise of the May 2023 Warrants and 4 shares for the exercise of the placement agent warrants.

On July 12, 2024, Company sold 102,605 shares of the Company's common stock at a purchase price of 29.20 per share and pre-funded warrants to purchase 308,355 shares of common stock at \$29.19992 per pre-funded warrant. The Company received net proceeds of \$10,789,261. Through December 31, 2024, 226,250 pre-funded warrants were exercised and 82,105 remained outstanding and the remaining warrants were exercised in February 2025.

On October 15, 2024 the Company and a holder of the Company's common stock reached an agreement for the return by the holder of 96,822 shares of common stock to the Company. The holder had exceeded the percentage of shares that they were permitted to hold of the Company's common stock. In exchange for the return of the shares the Company issued a prefunded warrant for 96,822 shares. These warrants were outstanding at December 31, 2024, and were subsequently exercised in February 2025.

As discussed above, on October 18, 2024, the Company established the ATM under which it can sell its common stock. As of December 31, 2024, the Company received net proceeds of \$184,830 from the sale of 68,921 shares of its common stock. The Company has received \$8.8 million for the sale of 1,764,113 shares of common stock from January 1, 2025 to February 4, 2025 through our ATM.

On February 6, 2025, the Company received net proceeds of \$10,703,882 from the sale of 430,000 common stock units, which consisted of 430,000 shares of common stock and 430,000 fully exercisable five year warrants to purchase the Company's common stock at \$2.00 per share, and 5,570,000 pre funded warrant units, which consisted of 5,570,000 pre-funded fully exercisable warrants with an exercise price of \$0.00001 and 5,570,000 fully exercisable five year warrants to purchase the Company's common stock at \$2.00 per share. Through March 28, 2025, 1,230,001 pre-funded warrants were exercised. The Company cannot sell additional shares through our ATM for 120 days following this offering.

#### ***Series A Convertible Preferred Stock***

On March 4, 2024, the Company designated 25,000 shares of Preferred Stock as Series A Convertible Preferred Stock with a par value of \$0.00001 per share and exchanged the remaining May 2023 Notes (principal of \$24,694,670) for Preferred Stock. For each \$1,000 of May 2023 Note principal, one share of Preferred Stock was issued with a stated value of \$1,000, and any principal held by an investor below \$1,000 was granted one additional share of Preferred Stock. A total of 24,698 shares were issued in connection with the exchange. The Preferred Stock is initially convertible into share of the Company's common stock at \$1,064.00 per share. Conversion of Preferred Stock to common stock of the Company by the holders of the Preferred Stock is limited based on ownership restrictions of either 4.99% or 9.99%. The conversion price is subject to adjustment for anti-dilution provisions with an initial floor of \$784.00 per share, subject to adjustment to \$400.00 per share if stockholder approval is received. The stockholders approved this adjustment at the 2024 annual meeting held on May 28, 2024.

The Preferred Stock conversion price per share is subject to adjustment in the event of a stock split based on the lowest 5-day daily VWAP in the five days subsequent to the completion of a stock split. As a result of the reverse stock split completed on June 6, 2024, the conversion price of the Preferred Stock was adjusted to \$51.59.

As of December 31, 2024, all of the Preferred Stock (24,698 Preferred Shares) have been converted for 279,043 shares of common stock.

#### ***November 2023 Common Units and Pre-Funded Warrant Units***

On November 17, 2023, the Company sold (i) 93 common units ("Common Units"), each consisting of one share of the Company's common stock, a Series A warrant to purchase one share of common stock at an initial exercise price of \$19,800.00 per share or pursuant to an alternative cashless exercise option (described below), which warrant will expire on the five-year anniversary of the original issuance date (the "Series A Warrants") and a Series B warrant to purchase one share of common stock at an initial exercise price of \$30,240.00 per share, which warrant will expire on the five-year anniversary of the original issuance date (the "Series B Warrants" and together with the Series A Warrants, the "Warrants"); and (ii) 1,099 pre-funded units (the "Pre-funded Units" and together with the Common Units, the "Units"), each consisting of one pre-funded warrant to purchase one share of common stock (the "Pre-funded Warrants"), a Series A Warrant and a Series B Warrant. The purchase price of each Common Unit was \$15,120.00, and the purchase price of each Pre-Funded Unit was \$15,119.64. The Pre-Funded Warrants were immediately exercisable and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. As of December 31, 2023, 1,006 of the Pre-Funded Warrants were exercised and the remaining Pre-Funded Warrants were exercised by January 9, 2024.

In addition, the Company granted the underwriter a 45-day option to purchase additional 179 shares of common stock and/or Pre-Funded Warrants, representing up to 15% of the number of common stock and Pre-Funded Warrants sold in the Public Offering, and/or additional 24 Series A Warrants representing up to 15% of the Series A Warrants sold in the Public Offering, and/or additional 24 Series B Warrants representing up to 15% of the Series B Warrants sold in the Public Offering solely to cover over-allotments, if any. The underwriter partially exercised its over-allotment option with respect to 24 Series A Warrants and Series B Warrants. A total of 441 each of Series A and B Warrants were issued in the transaction. The net proceeds were approximately \$16.2 million (gross proceeds of \$18.0 million less fees and expenses of \$1.8 million). The gross proceeds and transaction cost were allocated to each of the instruments issued in the offering at their estimated relative fair values. Transaction costs totaling \$1,444,547 related to the Series A and Series B Warrants were expensed since these warrants were determined to be liabilities and recorded at their estimated fair values (see Note 8).

### **Series A Warrants**

Each Series A Warrant had an initial exercise price per share equal to \$19,800.00, was immediately exercisable upon issuance, and will expire on the five-year anniversary of the original issuance date, or November 17, 2028.

#### *Share Combination Event Adjustments*

Conditioned upon the receipt of the Warrant Stockholder Approval at a required special meeting of stockholders (“Special Meeting”), if at any time on or after the date of issuance there occurs any share split, share dividend, share combination, recapitalization or other similar transaction involving the Company’s common stock (collectively a “Share Event”) and the lowest daily VWAP during the five consecutive trading days prior to the date of such event and the five consecutive trading days after the date of such event is less than the exercise price then in effect, then the exercise price of the Series A Warrant shall be reduced to the lowest daily VWAP during such period and the number of warrant shares issuable shall be increased such that the aggregate exercise price payable thereunder, after taking into account the decrease in the exercise price, shall be equal to the aggregate exercise price on the date of issuance. Approval of this adjustment by the stockholders was made on January 12, 2024.

#### *Cashless Exercise*

If at the time a holder exercises its Series A Warrants, a registration statement registering the issuance of the shares of common stock underlying the Series A Warrants under the Securities Act is not then effective or available and an exemption from registration under the Securities Act is not available for the issuance of such shares, then in lieu of making the cash payment otherwise contemplated to be made to us upon such exercise in payment of the aggregate exercise price, the holder may elect instead to receive upon such exercise (either in whole or in part) the net number of shares of common stock determined according to a formula set forth in the Series A Warrants.

Conditioned upon the receipt of the Warrant Stockholder Approval at a required Special Meeting, a holder of Series A Warrants may also provide notice and elect an “alternative cashless exercise” pursuant to which they would receive an aggregate number of shares equal to the product of (x) the aggregate number of shares of common stock that would be issuable upon a cash exercise of the Series A Warrant and (y) 3.0. Approval of this adjustment by the stockholders was made on January 12, 2024.

As discussed above, the Company completed a 1 for 45 reverse stock split on February 2, 2024. Prior to this reverse split, 24 Series A Warrants were exercised under the alternative cashless exercise provision in the period from January 1, 2024 to February 2, 2024. As a result of the 1 for 45 reverse stock split, the total number of Series A Warrants and exercise price for the remaining warrants was adjusted per the provisions of a Share Event and the total number of Series A Warrants became 4,975 and the exercise price became \$1,491.68. A total of 4,923 of the Series A Warrants were exercised under the alternative cashless exercise provision subsequent to this reverse stock split and 53 remained outstanding prior to the June 6, 2024 reverse stock split.

The Company completed a 1 for 100 reverse stock split on June 6, 2024. As a result of this reverse stock split, the total number of Series A Warrants and exercise price for the remaining warrants was adjusted per the provisions of a Share Event and the total number of Series A Warrants became 1,520 and the exercise price became \$51.5888.

The Company completed a 1 for 8 reverse stock split on November 8, 2024. As a result of this reverse stock split, the total number of Series A Warrants and exercise price for the remaining warrants was adjusted per the provisions of a Share Event and the total number of Series A Warrants became 8,517 and the exercise price became \$4.1866. These warrants remained outstanding at December 31, 2024.

### **Series B Warrants**

Each Series B Warrant offered has an initial exercise price per share equal to \$30,240.00, was immediately exercisable upon issuance, and will expire on the five-year anniversary of the original issuance date, or November 17, 2028.

As a result of the reverse 1 for 45 stock split completed on February 2, 2024, the total number of Series B Warrants and exercise price for the remaining warrants was adjusted per the provisions of a Share Event and the total number of Series B Warrants became 8,922 and the exercise price became \$1,491.68. A total of 88 of the Series B Warrants were exercised for proceeds of \$130,522 and 8,834 remained outstanding as of March 4, 2024, when the Company exchanged the May 2023 Notes for Series A Convertible Preferred Stock with a conversion price of \$133.00 per share, as discussed above. As a result of this exchange, the Series B Warrant amounts and exercise price were further adjusted based on certain anti-dilution provisions and the new number of Series B Warrants is 18,183 and the exercise price is \$724.72.

On May 17, 2024, the Company entered into separate warrant amendment agreements (collectively, the “Warrant Amendment”) with the holders of a majority-in-interest of the holders of the Company’s Series B warrants issued November 2023. Pursuant to the Warrant Amendment, all outstanding Series B Warrants were amended to delete the following sections: (i) a provision providing for the adjustment of the exercise price and number of shares issuable pursuant to the Series B Warrants if the Company completed a future offering at a price per share less the exercise price of the Series B Warrants then in effect; and (ii) a provision providing for the adjustment of the exercise price and number of shares issuable pursuant to the Series B Warrants if price of the Company’s common stock after the completion of a share split, share dividend, share combination, recapitalization or other similar transaction is less the exercise price of the Series B Warrants then in effect. In addition, the Warrant Amendment provides that the holders may also exercise the Series B Warrants on a cashless basis and receive an aggregate number of shares equal the product of the aggregate number of shares of common stock that would be issuable upon exercise of the Series B Warrants by means of a cashless exercise rather than a cash exercise, multiplied by 0.81.

On May 17, 2024, after giving effect to the Warrant Amendment, the Company and certain holders of Series B Warrants to purchase an aggregate of 17,222 shares of common stock (the “Holders”) entered into separate exchange agreements (the “Agreements”) pursuant to which the Company agreed to exchange the Series B Warrants held by the Holders for shares of Company common stock (or, at the option of the Holder, pre-funded warrants) at a ratio of 0.81 shares of Company common stock (or, at the option of the Holder, pre-funded warrants) for each whole Series B Warrant. A total of 9,178 pre-funded warrants with an exercise price of \$0.001 and 4,773 shares of common stock were issued to the Holders.

As of December 31, 2024, 141 Series B Warrants remain outstanding and all of the pre-funded warrants have been fully exercised.

### **Other Warrants**

As discussed in Note 6, the Company issued the Note Warrants, which were fully vested, to purchase 51 shares of the Company’s common stock at an initial exercise price of \$513,000.00. The Note Warrants expire August 24, 2027. Also, the Company issued to the placement agent of the Convertible Notes, fully vested warrants to purchase 4 shares of the Company’s common stock at an exercise price of \$641,250.00. The warrants were not exercisable until February 24, 2023 and expire on February 24, 2028. The Company valued all of these warrants using the closing price of the Company’s common stock on August 24, 2022 of \$439,200.00, volatility of 79.81% based on peer companies, risk free interest rate of 3.03%, no dividends and an estimated life of 2.5 years.

In May 2023, all of the Note Warrants to purchase 51 shares of the Company’s common stock were exchanged for Exchange Warrants to purchase 95 shares of the Company’s common stock with an initial exercise price of \$196,200.00 per share (which was adjusted to \$135,000.00 per share upon stockholder approval which was received on August 3, 2023). The Exchange Warrants expire August 24, 2027. In 2023 and 2024 certain holders of the Exchange Warrants exercised 32 of these warrants. On November 8, 2024 holders of the remaining 63 warrants notified the Company that they were forfeiting these warrants.

Also in May 2023, in connection with the issuance of the New Notes, the Company also issued New Warrants (together with the Exchange Warrants the “May 2023 Warrants”) to purchase 31 shares of common stock at an initial exercise price of \$196,200.00 (which was adjusted to \$135,000.00 per share upon stockholder approval which was received on August 3, 2023). The exercise price of the May 2023 Warrants were further adjusted due to the reverse 1 for 5, 1 for 45, 1 for 100 and 1 for 8 reverse stock splits completed in October 2023, February 2024, June 2024 and November 2024, respectively, and for the issuance of the Preferred Stock discussed above to \$51.59. On November 8, 2024 the holder of these warrants notified the Company that it was forfeiting these warrants.

As noted below, 11 of the Exchange Warrants were exercised at a price of \$63,000.00 per share and 11 Reload Warrants were issued with an exercise price of \$90,000.00 per share. In October 2023, the Reload warrant exercise price was reduced to \$49,284.00. The Reload warrants expire August 24, 2027. Due to the reverse 1 for 100 stock split completed in June 2024 and the 1 for 8 reverse stock split completed on November 8, 2024, the exercise price of the Reload Warrants was adjusted to \$51.59. On November 8, 2024 the holders of the Reload Warrants notified the Company that they were forfeiting these warrants.

On October 13, 2023, the Company entered into an amendment (the “Amendment”) to its Stag UTV development and Stag supplier agreements with GLV Ventures (“GLV”). Pursuant to the Amendment, GLV agreed to provide the Company with extended payment terms and provide the Company with credit against new vehicles for the value of certain parts purchased by the Company. In consideration for entering into the Amendment No. 1, the Company agreed to issue GLV (or its designee) five-year warrants to purchase 12 shares of Company common stock with an exercise price of \$75,600.00 per share, which was equal to the closing price of the Company’s common stock on the date of the Amendment No. 1, 6 warrants were fully vested upon issuance and the remaining warrants vested 45 days from the issuance date.

#### *Warrant Inducements*

On October 13, 2023, the Company entered into an inducement offer letter agreement (the “Inducement Letter”) with the three holders (each, a “Holder”) of the May 2023 Warrants. The Company agreed to reduce the exercise price of up to 28 these warrants to the lesser of (i) \$63,000.00 (after giving effect to the stock splits noted above) and (ii) the exercise price in effect at the time of exercise of the Existing Warrants if further adjusted in accordance with the terms of the May 2023 Warrants (\$49,284.00 per share after adjustment for the lowest day’s VWAP for the five days following the reverse stock split). The reduction of the exercise price of such Existing Warrants remained in effect until October 27, 2023 (the “Inducement Period”). In addition, pursuant to the Inducement Letter, the Holders who exercise such Existing Warrants for cash on or prior to October 27, 2023 would receive a new warrant (“Reload Warrant”) to purchase the same number of shares of common stock equal to the number of shares of common stock exercised and at the same exercise price as the Existing Warrants. The exercise price for any Warrants not exercised prior to the end of the Inducement Period would not result in a change in the exercise price under the original terms of the Existing Warrants. The Holders exercised 5 warrants of the 28 warrants available for exercise. Due to the reverse 1 for 100 stock split completed in June 2024 and the reverse 1 for 8 stock split completed in November 2024, the exercise price of the remaining Existing Warrants not exercised in this inducement and the Reload Warrants granted for the Existing Warrants exercised were adjusted to \$51.59. On November 8, 2024, the holders of the Reload Warrants notified the Company that they were forfeiting these warrants.

On October 29, 2023, in an effort to raise cash, the Company entered into an inducement offer letter agreement (the “Inducement Reprice Letter”) with the Holders of the Company’s May 2023 Warrants. Pursuant to the Inducement Reprice Letter, in exchange for an aggregate cash payment of \$346,500, the Company reduced the exercise price with respect to May 2023 Warrants exercisable into an aggregate of 12 shares of common stock from \$49,284 per share to \$360.00 per share. On January 10, 2024, the Holders exercised these warrants.

As discussed in Note 7, the Company issued the May 2024 Note Warrants on May 22, 2024, which are fully vested, to purchase 12,686 shares of the Company’s common stock at an exercise price of \$232.00. The Note Warrants are initially exercisable on November 23, 2024 and expire on November 23, 2029. The Company valued these warrants using the closing price of the Company’s common stock on May 22, 2024 of \$176.00, volatility of 155.00% the Company’s historical volatility, risk free interest rate of 4.47%, no dividends and a life of 5.5 years.

The following is the activity related to common stock warrants during the year ended December 31, 2024:

	<b>Common Stock Warrants</b>			<b>Intrinsic Value</b>
	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life in years</b>	
Outstanding at January 1, 2024	7,041	\$ 2,551.75		
Granted	452,980	\$ 30.55		
Forfeited	(110)	\$ 51.59		
Expired	—	\$ —		
Exercised	(259,579)	\$ 51.83		
Outstanding at December 31, 2024	<u>200,332</u>	<u>\$ 91.58</u>	<u>4.65</u>	<u>\$ 781,897</u>
Exercisable at December 31, 2024	<u>200,332</u>	<u>\$ 91.58</u>	<u>4.65</u>	<u>\$ 781,897</u>

#### **NOTE 11 – 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 (“RSU”) 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 39 shares of the Company’s common stock for issuance under the 2021 Plan. 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. There are no shares available for issuance under the 2021 Plan as of December 31, 2024. 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.

##### ***Restricted Stock Units***

There were no restricted stock units outstanding in 2024 and no expense was recognized for RSUs in 2024. In February 2023, 1 RSU was subject to cancellation due to termination of employment. However, the Company entered into a modification to allow the employee to fully vest in this RSU as part of a severance agreement. The Company recorded additional expense of \$31,487 in the year ended December 31, 2023 related to this modification.

For the year ended December 31, 2023, the Company recognized expense for RSUs of \$61,623.

##### ***Performance Shares***

In 2022 the compensation committee approved reserving 2 shares from the 2021 Plan to issue based on achievement of the Company’s 2022 performance milestones to employees who are employed in 2022 and were active employees on the date of approval in 2023 by the compensation committee. On February 6, 2023 the compensation committee of the board of directors approved a grant of 1 share for the achievement of some of the Company’s 2022 performance milestones. The Company recognized share-based compensation expenses of \$257,717 related to the grant of these shares in the year ended December 31, 2023.

In addition, the compensation committee also approved reserving 2 shares from the 2021 Plan to issue to employees based on achievement of the Company’s 2023 performance milestones to employees who were employed in 2023 and are active employees on the date of approval in 2024 by the compensation committee. No shares were approved for grant by the compensation committee for 2023 performance milestones.

## Stock Options

The following summarizes activity relating to common stock options to employees and consultants for services during the year ended December 31, 2024:

	<b>Common Stock Options</b>			
	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life in years</b>	<b>Intrinsic Value</b>
Outstanding at January 1, 2024	61	\$ 354,819.26		
Granted*	6,251	\$ 13.61		
Forfeited	(11)	\$ 85,854.55		
Canceled	(17)	\$ 460,849.41		
Outstanding at December 31, 2024	<u>6,284</u>	<u>\$ 1,775.40</u>	<u>9.61</u>	<u>\$ 0</u>
Exercisable at December 31, 2024	<u>34</u>	<u>\$ 325,739.12</u>	<u>7.63</u>	<u>\$ 0</u>

\* Includes 6,250 inducement options granted outside of the 2021 Plan.

The Company valued the options using the closing stock price of the Company's common stock on the date of grant and the following assumptions:

	<b>2024</b>	<b>2023</b>
Volatility (based on the Company's volatility in 2024 and peer companies in 2023)	152% - 170%	79% - 83%
Risk free interest rate	4.0% - 4.5%	3.54% - 4.77%
Dividends	None	None
Estimated life in years	6	6

During the years ended December 31, 2024 and 2023, the Company recognized share-based compensation expense of \$310,961 and \$1,896,585, respectively, related to common stock options. The Company expects to recognize additional compensation expense of \$55,289 related to these common stock options assuming all awards will vest.

Total stock-based compensation recorded for the year ended December 31, 2024 and 2023 for all stock-based compensation awards, including warrants, has been recorded as follows:

	<b>2024</b>	<b>2023</b>
Cost of Goods Sold	\$ (11,827)	\$ 211,981
Sales and Marketing	37,063	693,559
Product Development	126,337	837,271
General and Administrative	159,388	885,114
Total	<u>\$ 310,961</u>	<u>\$ 2,627,925</u>

## NOTE 12 – LOSS PER COMMON SHARE

The basic net loss per common share is calculated by dividing the Company's net loss available to common stockholders 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 stockholders 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. Diluted net loss per common share is equal to basic net loss per share due to the Company's net loss and any potentially issuable shares are anti-dilutive.

	<u>2024</u>	<u>2023</u>
Numerator:		
Net loss	\$ (45,510,309)	\$ (45,071,210)
Denominator:		
Denominator for basic and diluted net loss per common share - weighted average of common shares	<u>309,798</u>	<u>240</u>
Basic and diluted net loss per common share	\$ (146.90)	\$ (187,796.71)

As discussed in Note 2 above, the Company received notice from DTCC on behalf of the brokerage firms that hold the shares of Company common stock held in "street name" that in connection with the foregoing rounding of shares the Company would need to issue 188,950 shares of common stock which are not included in the amounts above. If these shares had been issued as of November 19, 2024 when notice from DTCC was received, the amounts for basic and diluted net loss per common share for 2024 would be as follows:

Denominator:		
Denominator for basic and diluted net loss per common share - weighted average of common shares	\$ 331,997	
Basic and diluted net loss per common share	\$ (137.08)	

Common shares consisting of shares potentially dilutive as of December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Convertible Notes	–	652
Warrants	200,332	7,041
Stock options	6,284	61
Total	<u>206,616</u>	<u>7,754</u>

## NOTE 13 – 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.

The components of income tax expense (benefit) for the year ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Expected federal income tax benefit at statutory rate	\$ (9,557,165)	\$ 9,464,954
Non-deductible expenses	3,594,293	1,183,767
Write off of deferred tax asset for stock-based compensation	3,235,732	-
Return to provision and true ups	345,266	108,959
Change in valuation allowance	2,381,874	(10,757,680)
Income tax benefit	<u>\$ -</u>	<u>\$ -</u>

The non-deductible expenses for the year ended December 31, 2024 includes the loss on the extinguishment of the Convertible Notes of \$345,998, interest expense on the Convertible Notes of \$66,116, and loss recognized on the November 2023 Warrants classified as liabilities of \$3,101,361, and other non-deductible expenses of \$80,818. Due to the impact of the reverse stock split in June 2024 on the adjusted number of outstanding options and exercise prices, the Company concluded that it was a remote possibility that any options will be exercised and therefore wrote off the deferred tax asset and related valuation allowance for stock-based compensation.

Significant components of the Company's deferred tax assets and liabilities at December 31, 2024 and December 31, 2023 are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b>Deferred tax assets</b>		
Net operating losses	\$ 20,932,619	\$ 15,468,757
Debt basis difference	-	5,121,397
Depreciation and amortization	1,562,438	1,701,768
Research & development credit	1,099,535	1,099,535
Lease liability	162,786	246,704
Stock-based compensation	-	3,235,732
Inventory	-	152,749
Accrued expenses	94,561	66,909
Capital loss carryover	178,442	176,950
Dealer rebates	12,052	459,713
Vendor settlements and reserves	689,253	-
Other	29,502	21,828
Total	24,761,188	27,752,042
Valuation allowance	(24,431,492)	(27,171,016)
Net deferred tax asset	329,696	581,026
<b>Deferred tax liabilities</b>		
Prepaid expenses	(174,457)	(342,421)
Right-of-use assets	(155,239)	(238,605)
<b>Total net deferred taxes deferred tax liabilities</b>	<u>\$ -</u>	<u>\$ -</u>



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 utilization of the Company's net operating losses and credit carryovers may be subject to limitation due to the "change in ownership provisions" under Section 382 of the Internal Revenue Code. The Company's cumulative net operating loss carry forward of \$99.7 million as of December 31, 2024, 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 14 – LEASES

The components of lease cost for operating leases for the year ended December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
<b>Lease Cost</b>		
Operating lease cost	\$ 468,996	\$ 468,997
Short-term lease cost	169,051	215,289
Total lease cost	<u>\$ 638,047</u>	<u>\$ 684,286</u>

Supplemental cash flow information related to leases for the year ended December 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
<b>Other Lease Information</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 399,609	\$ 359,347
Amortization of right-of-use assets	\$ 396,979	\$ 369,774

The following table summarizes the lease-related assets and liabilities recorded on the balance sheet at December 31, 2024 and December 31, 2023:

	<u>2024</u>	<u>2023</u>
<b>Lease Position</b>		
Operating Leases:		
Operating lease right-of-use assets	\$ 739,234	\$ 1,136,213
Right-of-use liabilities operating leases short-term	443,950	399,611
Right-of-use liabilities operating leases long-term	331,222	775,170
Total operating lease liabilities	<u>\$ 775,172</u>	<u>\$ 1,174,781</u>

The Company utilizes the incremental borrowing rate in determining the present value of lease payments unless the implicit rate is readily determinable.

<b>Lease Term and Discount Rate</b>	<b>December 31, 2024</b>
Weighted-average remaining lease term (years):	
Operating leases	1.7
Weighted-average discount rate:	
Operating leases	6.82%

The following table provides the maturities of lease liabilities at December 31, 2024:

	<b>Operating Leases</b>
2025	485,702
2026	340,591
Total future undiscounted lease payments	826,293
Less: Interest	(51,121)
Present value of lease liabilities	<u>\$ 775,172</u>

#### **NOTE 15 - SUBSEQUENT EVENT**

##### *Exclusive Distribution Agreement*

On January 31, 2025, the Company entered into a Distribution Agreement (the “Distribution Agreement”) with Super Sonic Company Limited (“Manufacturer”). The Manufacturer appointed the Company to act as Manufacturer’s exclusive distributor of certain of the Manufacturer’s golf cart products (the “Products”), in the United States. The Manufacturer agreed to recommend to all customers the sole use of the Company for all Products. The Manufacturer has the right to sell non-Volcon branded products to other customers, provided that Manufacturer shall pay 5% of the order price to the Company. Before the end of June 2025, the Manufacturer and the Company will agree to a procurement plan, and if the Company fails to meet the minimum purchase requirement described in the procurement plan for two consecutive months, the Manufacturer shall have the right to immediately terminate the Distribution Agreement. During the term of the Distribution Agreement, to the extent the Company sells any Volcon-branded products (the “Volcon Products”) that are similar to the Products, the Company agrees to provide the Manufacturer with a right of first refusal to manufacture Volcon Products.

At the end of each calendar quarter, the Company agreed to issue the Manufacturer shares of Company common stock based on the number of Product units (the “Units”) ordered by the Company during the quarter as follows: for each 1,000 Units ordered in 2025 by the Company and produced by the Manufacturer (including any products referred to the Company by the Manufacturer), the Company shall issue the Manufacturer a number of common shares equal to 1% of the Company’s outstanding shares of common stock (the “Consideration Shares”) as of the last day of such quarter that the 1,000 Units were ordered for no additional consideration, in addition to making full payment for all Units ordered. The requirement to issue the Consideration Shares shall cease on the anniversary of the parties’ confirmation of the procurement plan or upon the sale of 7,000 Units, whichever comes first. Notwithstanding the foregoing, to the extent the issuance of the Consideration Shares shall require shareholder approval pursuant to the rules of the Nasdaq Stock Market, such issuances shall be subject to the receipt of such shareholder approval and the Company agrees to seek such approval within three months of the determination that the approval is required. If, for any reason, the Company fails to issue such shares to the Manufacturer, the Manufacturer is entitled to compensatory damages in the amount equal to the value of the Consideration Shares that should have been issued to the Manufacturer in that quarter (determined by the closing stock price on the last day of that quarter), and to immediately terminate the Distribution Agreement.

On or before February 1, 2026, the Manufacturer will also be provided two-year warrants (the “Consideration Warrants”) to purchase up to 10% of the Company’s outstanding shares of common stock exercisable if, as of February 1, 2026, 10,000 Units are ordered (the “Order Date”). The exercise price of the warrants will be equal to 90% of the Company’s closing stock price on such date. Notwithstanding the foregoing, to the extent the issuance of the Consideration Warrants shall require shareholder approval pursuant to the rules of the Nasdaq Stock Market, such issuance shall be subject to the receipt of such shareholder approval and the Company agrees to seek such approval within three months of the determination that the approval is required. If, for any reason, the Company fails to issue the Consideration Warrants or fails to fulfill the Manufacturer’s request to exercise the Consideration Warrants, the Manufacturer is entitled to compensatory damages in the amount equal to 10% of the value of the shares that would have been purchased by Manufacturer under the Consideration Warrants, and to immediately terminate the Distribution Agreement.

If the Company orders over 10,000 Units in 2025 (including any products referred to the Company by the Manufacturer), on or before February 1, 2026, the Company will provide the Manufacturer with the right to appoint a director to our board, subject to board and shareholder approvals of the director.

The term of the Distribution Agreement is for one year, which can be extended for additional one-year periods by the parties. The Agreement may be terminated immediately by either party in the event of a breach of the Distribution Agreement by the other party, or by either party if the other party: (i) becomes insolvent or bankrupt, becomes unable to pay its debts as they fall due, or files a petition for voluntary or involuntary bankruptcy or under any other insolvency law; (ii) makes or seeks to make a general assignment for the benefit of its creditors, seeks reorganization, winding-up, liquidation, dissolution, or other similar relief with respect to it or its debts; or (iii) applies for, or consents to, the appointment of a trustee, receiver, or custodian for a substantial part of its property.

#### *Supply Agreement*

On February 24, 2025, the Company entered into a Supply Agreement (the “Supply Agreement”) with Venom-EV LLC (“Venom”) to supply Venom with certain golf carts. The Supply Agreement allows Venom to purchase up to \$3 million of golf carts with payment terms of 90 days from the date the golf carts are delivered to Venom’s facility. These golf carts will be purchased through a manufacturer specified in the Supply Agreement and the Company will receive consideration of the cost of the golf carts plus a three percent margin. At the end of each calendar quarter, the Company agreed to issue Venom shares of Company common stock based on the number of golf carts purchased by Venom during the quarter as follows: for each 1,000 Units sold in 2025 to Venom by the Company, the Company shall issue Venom a number of shares equal to 1% of the Company’s outstanding shares of common stock (the “Venom Shares”) as of the last day of such quarter that the 1,000 Units were sold for no additional consideration. The requirement to issue the Venom Shares shall cease upon the sale of 5,000 Units or June 30, 2026, whichever comes first. Notwithstanding the foregoing, to the extent the issuance of the Venom Shares shall require shareholder approval pursuant to the rules of the Nasdaq Stock Market, such issuances shall be subject to the receipt of such shareholder approval. If for any reason the Company fails to issue such shares to Venom, Venom is entitled to compensatory damages in the amount equal to the value of the Venom Shares that should have been issued to Venom in that quarter (determined by the closing stock price on the last day of that quarter), and to immediately terminate the Supply Agreement.

#### *Share Repurchase Program*

On March 7, 2025 the board of directors authorized a share repurchase program whereby the Company can repurchase up to \$2 million of its common stock at the Company’s discretion. The share repurchase program expires on March 7, 2026. Through March 28, 2025, 383,081 shares have been repurchased at an average purchase price of \$1.02.

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

None.

## ITEM 9A. 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, who is our principal executive officer, and Chief Financial Officer, who is our principal 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 ineffective as of December 31, 2024.

### Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Management has determined that internal controls over financial reporting are ineffective as the material weaknesses identified by our independent registered public accounting firm in our internal control over financial reporting in our 2020 audit have not been remediated as of December 31, 2024. These material weaknesses are as follows:

- Inadequate segregation of duties within account processes due to limited personnel
- Insufficient formal written policies and procedures for accounting, IT, financial reporting and record keeping

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm due to a transition period established by rules of the SEC for an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, or the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012

### Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting during the three months ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information as to Item 10 is incorporated by reference from the information in our definitive proxy statement for the 2025 Annual Meeting of Stockholders, which we will file pursuant to Regulation 14A with the SEC within 120 days after the close of the year ended December 31, 2024.

We have adopted a Code of Ethics, which is applicable to all directors, officers and employees, including our Chief Executive Officer and Chief Financial Officer. The code is available on our corporate web site at <https://ir.volcon.com/governance/governance-documents> and in print to any stockholder who requests a copy. To the extent required by SEC rules, we intend to disclose any amendments to our Code of Ethics, and any waiver of a provision of the code with respect to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on our web site referred to above within four business days following any such amendment or waiver, or within any other period that may be required under SEC rules from time to time.

We have adopted an Insider Trading Policy. A copy of our insider trading policy is filed as Exhibit 19.1 to this Annual Report.

### **ITEM 11. EXECUTIVE COMPENSATION**

Information as to Item 11 is incorporated by reference from the information in our definitive proxy statement for the 2025 Annual Meeting of Stockholders, which we will file pursuant to Regulation 14A with the SEC within 120 days after the close of the year ended December 31, 2024.

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

Information as to Item 12 is incorporated by reference from the information in our definitive proxy statement for the 2025 Annual Meeting of Stockholders, which we will file pursuant to Regulation 14A with the SEC within 120 days after the close of the year ended December 31, 2024.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

Information as to Item 13 is incorporated by reference from the information in our definitive proxy statement for the 2025 Annual Meeting of Stockholders, which we will file pursuant to Regulation 14A with the SEC within 120 days after the close of the year ended December 31, 2024.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information as to Item 14 is incorporated by reference from the information in our definitive proxy statement for the 2025 Annual Meeting of Stockholders, which we will file pursuant to Regulation 14A with the SEC within 120 days after the close of the year ended December 31, 2024.

## **PART IV**

### **ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES**

#### (1) Financial Statements

The consolidated financial statements of Volcon, Inc. and the Report of Independent Registered Public Accounting Firm are included in Part II, "Item 8.— Financial Statements and Supplementary Data" of this Annual Report. Reference is made to the accompanying Index to Financial Statements.

#### (2) Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

#### (3) Index to Exhibits

The information required by this Item 15(a)(3) is set forth on the exhibit index, which immediately precedes the signature page to this report and is incorporated herein by reference.

### **ITEM 16. FORM 10-K SUMMARY**

We have elected not to provide summary information.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed October 8, 2021)
3.2	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed June 15, 2023)
3.3	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed October 16, 2023)
3.4	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed February 5, 2024)
3.5	<a href="#">Form of Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed March 4, 2024)
3.6	<a href="#">Form of Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed March 25, 2024)
3.7	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed June 7, 2024)
3.8	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed November 8, 2024)
3.9	<a href="#">Second Amended and Restated Bylaws of Volcon, Inc.</a> (incorporated by reference to exhibit 3.1 of the Form 8-K filed April 5, 2024)
4.1	<a href="#">Form of common stock</a> (incorporated by reference to exhibit 4.1 of the Form S-1 file number 333-259468)
4.2	<a href="#">Form of Warrant issued to Pink Possum, LLC and Highbridge Consulting, LLC</a> (incorporated by reference to exhibit 4.2 of the Form S-1 file number 333-259468)
4.3	<a href="#">Form of Underwriter Warrant</a> (incorporated by reference to exhibit 4.3 of the Form S-1 file number 333-262343)
4.4	<a href="#">Form of Underwriter Warrant issued in IPO</a> (incorporated by reference to Exhibit 4.3 of the Form S-1 file number 333-259468)
4.5	<a href="#">Form of Common Stock Purchase Warrant</a> (incorporated by reference to Exhibit 10.4 of the Form 8-K filed with the SEC on August 24, 2022)
4.6	<a href="#">Placement Agent Warrant</a> (incorporated by reference to Exhibit 10.6 of the Form 8-K filed with the SEC on August 24, 2022)
4.7	<a href="#">Form of New Warrants issued in May 2023</a> (incorporated by reference to Exhibit 4.2 of the Form 8-K filed with the SEC on May 22, 2023)
4.8	<a href="#">Form of Exchange Warrants issued in May 2023</a> (incorporated by reference to Exhibit 4.4 of the Form 8-K filed with the SEC on May 22, 2023)
4.9	<a href="#">Form of Underwriter Warrant dated September 15, 2023, with Aegis Capital Corp.</a> (incorporated by reference to Exhibit 4.1 of the Form 8-K filed with the SEC on September 18, 2023)
4.10	<a href="#">Form of New Warrants issued in September 2023 warrant inducement</a> (incorporated by reference to Exhibit 4.1 of the Form 8-K filed with the SEC on October 2, 2023)
4.11	<a href="#">Form of Warrant issued to GLV Ventures</a> (incorporated by reference to Exhibit 4.1 of the Form 8-K filed with the SEC on October 16, 2023)
4.12	<a href="#">Form of Pre-Funded Warrant issued in November 2023</a> (incorporated by reference to exhibit 4.1 of Form 8-K filed on November 20, 2023)
4.13	<a href="#">Form of Series A Warrant issued in November 2023</a> (incorporated by reference to exhibit 4.2 of Form 8-K filed on November 20, 2023)
4.14	<a href="#">Form of Series B Warrant issued in November 2023</a> (incorporated by reference to exhibit 4.3 of Form 8-K filed on November 20, 2023)
4.15	<a href="#">Form of Series B Warrant Amendment</a> (incorporated by reference to exhibit 4.1 of Form 8-K filed on May 17, 2024)
4.16	<a href="#">Form of Amended and Restated Warrant issued in November 2023</a> (incorporated by reference to exhibit 4.5 of Form 8-K filed on November 20, 2023)
4.17	<a href="#">Form of Pre-Funded Warrant issued in May 2024</a> (incorporated by reference to exhibit 4.2 of Form 8-K filed on May 17, 2024)
4.18	<a href="#">Form of Notes issued in May 2024</a> (incorporated by reference to exhibit 4.1 of Form 8-K filed on May 20, 2024)
4.19	<a href="#">Form of Warrants issued in May 2024</a> (incorporated by reference to exhibit 4.2 of Form 8-K filed on May 20, 2024)
4.20	<a href="#">Form of Pre-Funded Warrants issued in July 2024</a> (incorporated by reference to exhibit 4.1 of Form 8-K filed on July 12, 2024)
4.21	<a href="#">Form of Pre-Funded Warrants issued in October 2024</a> (incorporated by reference to exhibit 4.1 of Form 8-K filed on October 16, 2024)
4.22	<a href="#">Form of Warrants issued in February 2025</a> (incorporated by reference to exhibit 4.1 of Form 8-K filed on February 6, 2025)
4.23	<a href="#">Form of Pre-Funded Warrants issued in February 2025</a> (incorporated by reference to exhibit 4.2 of Form 8-K filed on February 6, 2025)
4.24*	<a href="#">Description of Registrant's Securities</a>

- 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 [Consulting Agreement, as amended, between Volcon, Inc. and Highbridge Consulting, LLC](#) (incorporated by reference to exhibit 10.3 of the Form S-1 file number 333-259468)
- 10.3† [Employment Agreement between Volcon, Inc. and Greg Endo dated January 30, 2024](#) (incorporated by reference to exhibit 10.2 of the Form 8-K filed February 5, 2024)
- 10.4† [Employment Agreement between Volcon, Inc. and Jordan Davis dated August 5, 2021](#) (incorporated by reference to exhibit 10.8 of the Form S-1 file number 333-259468)
- 10.5 [Placement Agent Agreement for Convertible Notes](#) (incorporated by reference to exhibit 10.5 of the Form 8-K filed August 24, 2022)
- 10.6† [Amendment to the Volcon, Inc. 2021 Stock Plan \(as amended and restated\)](#) (incorporated by reference to exhibit 10.1 of the Form 8-K filed July 27, 2022)
- 10.7 [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 28, 2022)
- 10.8 [Placement Agent Agreement by and among the Company and Aegis Capital Corp.](#) (incorporated by reference to Exhibit 10.3 of the Form 8-K filed with the SEC on May 22, 2023)
- 10.9 [Underwriting Agreement by and among Volcon, Inc. and Aegis Capital Corp., dated May 22, 2022](#) (incorporated by reference to exhibit 1.1 of Form 8-K filed on May 25, 2023)
- 10.10† [Amendment No. 2 to the Volcon, Inc. 2021 Stock Plan \(as amended and restated\)](#) (incorporated by reference to exhibit 10.1 of the Form 8-K filed July 14, 2023)
- 10.11 [Form of Indemnification Agreement with the Company's directors and executive officers](#) (incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the SEC on September 12, 2023)
- 10.12 [Underwriting Agreement by and among Volcon, Inc. and Aegis Capital Corp., dated September 15, 2023](#) (incorporated by reference to exhibit 1.1 of Form 8-K filed on November 20, 2023)
- 10.13 [Underwriting Agreement by and among Volcon, Inc. and Aegis Capital Corp., dated November 16, 2023](#) (incorporated by reference to exhibit 1.1 of Form 8-K filed on November 20, 2023)
- 10.14† [Employment Agreement between Volcon, Inc. and John Kim dated January 30, 2024](#) (incorporated by reference to exhibit 10.2 of the Form 8-K filed February 5, 2024)
- 10.15† [Consulting Agreement between Volcon, Inc. and Jordan Davis dated February 1, 2024](#) (incorporated by reference to exhibit 10.3 of the Form 8-K filed February 5, 2024)
- 10.16 [Form of Note Exchange Agreement dated March 3, 2024](#) (incorporated by reference to exhibit 10.1 of Form 8-K filed on March 4, 2024)
- 10.17 [Form of Exchange Agreement dated May 17, 2024](#) (incorporated by reference to exhibit 10.1 of Form 8-K filed on May 17, 2024)
- 10.18 [Form of Securities Purchase Agreement by and among the Company and the Investors, dated May 20, 2024](#) (incorporated by reference to exhibit 10.1 of Form 8-K filed on May 20, 2024)
- 10.19 [Placement Agency Agreement dated May 19, 2024](#) (incorporated by reference to exhibit 10.2 of Form 8-K filed on May 20, 2024)
- 10.20 [Form of Securities Purchase Agreement by and among the Company and the Investors, dated July 11, 2024](#) (incorporated by reference to exhibit 10.1 of Form 8-K filed on July 12, 2024)
- 10.21 [Placement Agency Agreement dated July 11, 2024](#) (incorporated by reference to exhibit 10.2 of Form 8-K filed on July 12, 2024)
- 10.22 [Form of Exchange Agreement dated October 15, 2024](#) (incorporated by reference to exhibit 10.1 of Form 8-K filed on October 16, 2024)
- 10.23 [At-The-Market Issuance Sales Agreement, dated October 18, 2024, by and between Volcon, Inc. and Aegis Capital Corp.](#) (incorporated by reference to exhibit 1.1 of Form 8-K filed on October 18, 2024)
- 10.24\*+ [Settlement Agreement and Mutual Release dated December 6, 2024 between and among Volcon, Inc. and GLV Ventures](#)
- 10.25 [Distribution Agreement, dated January 31, 2025, by and between Volcon, Inc. and Super Sonic Company Limited](#) (incorporated by reference to exhibit 10.1 of Form 8-K filed on February 4, 2025)
- 10.26 [Underwriting Agreement, dated February 5, 2025, with Aegis Capital](#) (incorporated by reference to exhibit 1.1 of Form 8-K filed on February 6, 2025)
- 10.27 [Supplier Agreement, dated February 25, 2025, by and between Volcon, Inc. and Venom-EV](#) (incorporated by reference to exhibit 10.1 of Form 8-K filed on February 27, 2025)
- 19.1\* [Volcon, Inc. Insider Trading Policy](#)
- 21.1 [List of subsidiaries](#) (incorporated by reference to exhibit 21.1 of the Form S-1 file number 333-259468)
- 23.1\* [Consent of MaloneBailey LLP](#)
- 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.](#)
- 97 [Dodd-Frank Restatement Recoupment Policy](#) (incorporated by reference to exhibit 97 of Form 10-K filed on March 28, 2024)



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 XBRL, and included in exhibit 101).

\* Filed herewith.

+ Pursuant to Item 601(b)(10)(iv) of Regulation S-K promulgated by the SEC, certain portions of this exhibit have been redacted. The Company hereby agrees to furnish supplementally to the SEC, upon its request, an unredacted copy of this exhibit.

† 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.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ John Kim</u> John Kim	Chief Executive Officer and Director (principal executive officer)	March 31, 2025
<u>/s/ Greg Endo</u> Greg Endo	Chief Financial Officer (principal financial and accounting officer)	March 31, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on March 31, 2025.

<u>Signature</u>	<u>Title</u>
<u>/s/ John Kim</u> John Kim	Chief Executive Officer (Principal Executive Officer) Director
<u>/s/ Greg Endo</u> Greg Endo	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ Karin-Joyce Tjon</u> Karin Joyce Tjon	Chairman of the Board, Director
<u>/s/ Jonathan P. Foster</u> Jonathan P. Foster	Director
<u>/s/ Adrian Solgaard</u> Adrian Solgaard	Director
<u>/s/ Orn Olason</u> Orn Olason	Director

**DESCRIPTION OF THE REGISTRANT'S SECURITIES**

*The following summary is a description of the material terms of our capital stock. This summary is not complete, and is qualified by reference to our amended and restated certificate of incorporation, and our amended and restated bylaws, which are filed as exhibits to this Annual Report on Form 10-K and are incorporated by reference herein. We encourage you to read our amended and restated certificate of incorporation, our amended and restated bylaws and the applicable provisions of the Delaware General Corporations Law for additional information.*

**Authorized Capital Stock**

Our amended and restated certificate of incorporation authorizes us to issue 255,000,000 shares of capital stock consisting of 250,000,000 shares of common stock, par value \$0.00001 per share and 5,000,000 shares of preferred stock, par value \$0.00001 per share.

**Common Stock**

Shares of our common stock have the following rights, preferences and privileges:

*Voting*

Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Any action at a meeting at which a quorum is present will be decided by a majority of the voting power present in person or represented by proxy, except in the case of any election of directors, which will be decided by a plurality of votes cast. There is no cumulative voting.

*Dividends*

Holders of our common stock are entitled to receive dividends when, as and if declared by our board of directors out of funds legally available for payment, subject to the rights of holders, if any, of any class of stock having preference over the common stock. Any decision to pay dividends on our common stock will be at the discretion of our board of directors. Our board of directors may or may not determine to declare dividends in the future. The board's determination to issue dividends will depend upon our profitability and financial condition, any contractual restrictions, restrictions imposed by applicable law and the SEC, and other factors that our board of directors deems relevant.

*Liquidation Rights*

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of our common stock will be entitled to share ratably on the basis of the number of shares held in any of the assets available for distribution after we have paid in full, or provided for payment of, all of our debts and after the holders of all outstanding series of any class of stock have preference over the common stock, if any, have received their liquidation preferences in full.

*Other*

Our issued and outstanding shares of common stock are fully paid and nonassessable. Holders of shares of our common stock are not entitled to preemptive rights. Shares of our common stock are not convertible into shares of any other class of capital stock, nor are they subject to any redemption or sinking fund provisions.

**Preferred Stock**

We are authorized to issue up to 5,000,000 shares of preferred stock. Our amended and restated certificate of incorporation authorizes the board to issue these shares in one or more series, to determine the designations and the powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations and restrictions thereof, including the dividend rights, conversion or exchange rights, voting rights (including the number of votes per share), redemption rights and terms, liquidation preferences, sinking fund provisions and the number of shares constituting the series. Our board of directors could, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of common stock which could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock.

In March 2024, we issued 24,680 shares of Series A Preferred Stock, which shares are convertible into Company common stock. Upon any liquidation, dissolution or winding-up of the Company, the holders of the Series A Preferred Stock are entitled to receive out of the assets, whether capital or surplus, of the Company available to shareholders, an amount equal to the greater of: (i) \$1,000 per share of Series A Preferred Stock then held, or (ii) the amount the holders would have received had the holders fully converted the Series A Preferred Stock to Company common stock, in each case, before any distribution or payment shall be made to the holders of the Company's common stock. As of December 31, 2024, all Series A Preferred Stock was converted into 279,043 shares of common stock.

## **Warrants**

Below is a summary of our material warrants outstanding as of March 31, 2025:

On February 6, 2025, the Company sold 430,000 common stock units, which consisted of 430,000 shares of common stock and 430,000 fully exercisable five year warrants to purchase the Company's common stock at \$2.00 per share, and 5,570,000 pre funded warrant units, which consisted of 5,570,000 pre-funded fully exercisable warrants with an exercise price of \$0.00001 and 5,570,000 fully exercisable five year warrants to purchase the Company's common stock at \$2.00 per share. As of March 26, 2025, 439,999 pre-funded warrants with an exercise price of \$0.00001 and 6,000,000 common stock warrants with an exercise price of \$2.00 remain outstanding.

## **Certificate of Incorporation and Bylaw Provisions**

Our amended and restated certificate of incorporation and bylaws include a number of anti-takeover provisions that may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include:

*Advance Notice Requirements.* Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of stockholders. These procedures provide that notice of stockholder proposals must be timely and given in writing to our corporate Secretary. Generally, to be timely, notice must be received at our principal executive offices not fewer than 120 calendar days prior to the first anniversary date on which our notice of meeting and related proxy statement were mailed to stockholders in connection with the previous year's annual meeting of stockholders. The notice must contain the information required by the bylaws, including information regarding the proposal and the proponent.

*Special Meetings of Stockholders.* Our amended and restated certificate of incorporation provides that special meetings of stockholders may be called at any time by only the Chairman of the Board, the Chief Executive Officer, the President or the board of directors.

*No Written Consent of Stockholders.* Our amended and restated certificate of incorporation provides that any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing by such stockholders.

*Amendment of Bylaws.* Our stockholders may amend any provisions of our bylaws by obtaining the affirmative vote of the holders of at least a majority of the voting power of all the then-outstanding shares of voting stock of the Company with the power to vote generally in an election of directors, voting together as a single class.

*Preferred Stock.* Our amended and restated certificate of incorporation authorizes our board of directors to create and issue rights entitling our stockholders to purchase shares of our stock or other securities. The ability of our board to establish the rights and issue substantial amounts of preferred stock without the need for stockholder approval may delay or deter a change in control of us. See the section titled "Preferred Stock" above.

## **Delaware Takeover Statute**

We are subject to Section 203 of the DGCL which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any “business combination” (as defined below) with any interested stockholder for a period of three years following the date that such stockholder became an interested stockholder, unless: (1) prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (2) on consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding those shares owned (x) by persons who are directors and also officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to this plan will be tendered in a tender or exchange offer; or (3) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 <sup>2</sup>/<sub>3</sub>% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 of the DGCL defines generally “business combination” to include: (1) any merger or consolidation involving the corporation and the interested stockholder; (2) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder; (3) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (4) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (5) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an “interested stockholder” as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

## **Limitations on Liability and Indemnification of Officers and Directors**

Our amended and restated certificate of incorporation and bylaws limit the liability of our officers and directors and provide that we will indemnify our officers and directors, in each case, to the fullest extent permitted by the DGCL.

## **Listing**

Our common stock is listed on the Nasdaq under the symbol “VLCN”.

## **Transfer Agent**

The transfer agent for our common stock is Computershare.

Certain identified information has been excluded from this exhibit because it is both not material and is the type that the issuer treats as private or confidential. Information that was omitted has been noted in this document with a placeholder identified by the mark “[\*\*\*]”.

### SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (“Agreement”) is made and entered into as of December 6, 2024 (the “Effective Date”), between and among Volcon, Inc. (“Volcon”) and GLV Ventures (“GLV”). Volcon and GLV are collectively referred to herein as the “Parties.”

#### RECITALS

WHEREAS, Volcon and GLV entered into the Supplier Agreement dated March 11, 2022 for the development and engineering of the Volcon Stag vehicle prototypes;

WHEREAS, Volcon and GLV entered into the Supplier Agreement dated May 29, 2022 for the manufacturing of the Volcon Grunt EVO motorcycle;

WHEREAS, Volcon and GLV entered into the Supplier Agreement dated August 11, 2022 for the manufacturing of the Volcon Stag vehicle. The three supplier agreements are collectively referred to herein as the “Supplier Agreements”;

WHEREAS, a dispute arose between the Parties regarding GLV’s performance and Volcon’s obligations under the Supplier Agreements;

WHEREAS, the Parties now desire to compromise, settle and discharge, fully and finally, any and all claims, controversies, demands, and disputes between them with regard to the Supplier Agreements. Each Party denies any wrongdoing, unlawful conduct or liability whatsoever on his, her, or its part, but nevertheless has concluded that it is in his, her, or its best interest to settle the differences, disagreements, and disputes as hereinafter set forth and desires to enter into this Agreement pursuant to the terms set forth herein; and

NOW, THEREFORE, in consideration of the agreements herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

#### TERMS AND CONDITIONS

1. Recitals. The foregoing recitals are an integral part of this Agreement and are incorporated herein by reference.
2. Termination of Supplier Agreements; Termination Fee. Upon execution of this Agreement, Volcon and GLV agree that each of the Supplier Agreements are immediately terminated, and that neither party shall have any liability or obligation to the other party except as set forth in this Agreement. Upon execution of the Agreement and subject to the provisions of this Agreement, Volcon shall pay to GLV One Hundred Twenty-Five Thousand dollars (\$125,000.000) per month for twenty-two (22) months with the first payment to be made within one business day of the date of this Agreement and each following payment shall be made on the first business day of each month thereafter.
3. Vendors.
  - a. Volcon agrees to negotiate the settlement of any amounts due in connection with the Supplier Agreements to the following vendors: [\*\*\*] (the “Volcon Vendors”). Volcon agrees to defend, indemnify, and hold harmless GLV and its representatives, officers, directors, employees, agents, affiliates, successors, and assigns from and against all claims, damages, liabilities, losses, expenses and costs (including reasonable fees and expenses of attorneys and other professionals) arising out of or resulting from any action by the Volcon Vendors, against GLV that is based on a claim regarding services performed or parts supplied under the Supplier Agreements. GLV acknowledges and represents that it is not in possession of any invoices from the Volcon Vendors.

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b. GLV agrees to negotiate the settlement of all vendors, except for the Volcon Vendors (the “GLV Vendors”). GLV agrees to defend, indemnify, and hold harmless Volcon and its representatives, officers, directors, employees, agents, affiliates, successors, and assigns from and against all claims, damages, liabilities, losses, expenses and costs (including reasonable fees and expenses of attorneys and other professionals) arising out of or resulting from any action by a vendor or any third party, excluding the Volcon Vendors, against Volcon that is based on a claim regarding services performed or parts supplied under the Supplier Agreements. To the extent any amounts are owed to Volcon pursuant to the terms of this Section 3(b), in addition to Volcon’s rights to enforce the terms of this Section 3(b), Volcon shall be entitled to offset such amounts against any future termination fees payable to GLV pursuant to this Agreement.

4. Remaining Inventory.

- a. Volcon shall deliver, at Volcon’s expense, to GLV’s Texas facility or other U.S. location the remaining inventory of [\*\*\*]. GLV agrees to accept the foregoing inventory upon five business days’ notice from Volcon.
- b. Within ten business days of execution of this Agreement, GLV agrees, at its expense, to arrange for the transfer of eighteen Grunt EVOs currently in Volcon’s Round Rock facility.

5. Inventory and Assets in GLV Possession. Volcon waives all rights, claims or liens against all parts, components, tooling, prototypes, or partially completed units in GLV’s possession, including any such parts or components for which Volcon already has made payment to the supplier.

6. Non-Exclusive License. Volcon shall give GLV a non-exclusive license to any of Volcon’s intellectual property rights embodied in the engineering designs and specifications of the Grunt motorcycle or the Stag vehicle, but excluding any trademarks, trade names, or other branding or logos. Volcon acknowledges that upon the delivery of one Stag vehicle unit to the military it has no outstanding purchase orders or agreements related to the Stag project. Volcon agrees that GLV may contact the military in connection with future stag units and mobile charging units. GLV covenants and agrees not to market or promote any product or the business of GLV using the Volcon, Grunt, or Stag marks or names or otherwise hold itself out as having a prior, current, or future association with Volcon or any of its products.

7. Releases.

a. By Volcon. Upon execution of this Agreement, Volcon and its shareholders, owners, members, investors, affiliates or related entities, current and former officers, managers, directors, employees, agents, respective heirs, successors, and assigns (“the Volcon Releasers”), fully and forever agree to release, discharge, hold harmless, and covenant not to sue GLV and its heirs, successors, and assigns from any and all actions, causes of action, claims, potential claims, demands, charges, losses, debts, damages, attorneys’ fees, expenses, judgments, awards, and interest of whatever nature (“claims”), whether known or unknown, recognized in law or in equity, matured or unmature, that the Volcon Releasers had or may have had against GLV arising out of, on account of, or in relation to any matter, cause, or thing, including but not limited to the dispute arising under the Supplier Agreements.

b. By GLV. Upon execution of this Agreement, GLV and its shareholders, owners, members, investors, affiliates or related entities, current and former officers, managers, directors, employees, agents, respective heirs, successors, and assigns (“the GLV Releasers”), fully and forever agree to release, discharge, hold harmless, and covenant not to sue Volcon and its heirs, successors, and assigns from any and all actions, causes of action, claims, potential claims, demands, charges, losses, debts, damages, attorneys’ fees, expenses, judgments, awards, and interest of whatever nature (“claims”), whether known or unknown, recognized in law or in equity, matured or unmature, that the GLV Releasers had or may have had against Volcon arising out of, on account of, or in relation to any matter, cause, or thing, including but not limited to the dispute arising under the Supplier Agreements and excluding any continuing obligations with respect to product liability, product recall, warranty, insurance, and related indemnity for units deliver by GLV to Volcon prior to the Effective Date of the Agreement.

Certain identified information has been excluded from this exhibit because it is both not material and is the type that the issuer treats as private or confidential. Information that was omitted has been noted in this document with a placeholder identified by the mark “[\*\*\*]”.

8. No Admission of Liability. Nothing contained in or to be done under or pursuant to this Agreement is, or shall in any way be construed as, an admission or acknowledgement by the Parties of any liability or responsibility for, or the validity of, any claims or causes of action.
9. Confidentiality. The Parties and their respective counsel agree that Volcon may disclose any of the terms of this Agreement or any amounts to be paid to GLV pursuant to this Agreement.
10. Mutual Non-Disparagement Covenant. The Parties agree to not, directly or indirectly, make or publish any written, oral, or electronic statements that disparages or denigrates one another or any of their employees, executives, goods, products, or services.
11. Negotiation and Authority to Execute Agreement. This Agreement reflects the amicable settlement of honest differences between the Parties. The Parties acknowledge that they have consulted with legal counsel concerning this Agreement, that they have read this Agreement in its entirety, that they understand its terms and that its terms are fair, reasonable, and enforceable, that they have had ample opportunity to negotiate with each other with regard to all of its terms, that they have entered into this Agreement freely and voluntarily without fraud, duress, or coercion, and that they have the full right, power, authority, and capacity to enter into and execute this Agreement.
12. Agreement Executed In Good Faith. The Parties agree and represent that they have entered into this Agreement honestly, in good faith, at arm's length, were not subject to duress, and did not rely on any representations made by any other parties.
13. Governing Law. The validity, construction, interpretation, effect and enforceability of this Agreement shall be governed by the laws of the State of Texas without regard to its choice of law or conflict of laws principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
14. Jurisdiction and Venue. The Parties consent to the exclusive jurisdiction and venue of federal or state courts located in Travis County, Texas for any action arising under or out of or relating to this Agreement; all Parties consent to personal jurisdiction and venue in such courts and hereby expressly waive any objection to the forum and any objection based on lack of personal jurisdiction.
15. Entire Agreement. This Agreement, after full execution, memorializes and constitutes the entire settlement and release agreement between the Parties to this Agreement and supersedes and replaces all prior negotiations, proposed settlement and release agreements and settlement and release agreements, whether written or oral, between the Parties. There are no representations, promises, agreements or undertakings between the Parties other than those set forth expressly in the provisions of this Agreement, and neither Party is relying on any such representation, promise, agreement or undertaking. The Parties agree that the entire consideration for the releases and mutual promises exchanged herein constitutes the entire consideration for the Agreement.
16. Written Amendments Only. This Agreement contains and states the entire agreement of the Parties hereto with respect to the subject matter of this Agreement. This Agreement shall not be amended, modified or changed except by a writing signed by all the Parties hereto.
17. Severability. If any provision of this Agreement is held to be illegal or invalid by a court of competent jurisdiction, such provision shall be considered severed and deleted. Neither such provision, nor its severance and deletion, shall affect the validity of the remaining provisions of this Agreement.
18. Execution in Counterpart. This Agreement may be executed in one or more counterparts, any one of which need not contain the signature of more than one party and all of which taken together shall constitute one in the same agreement. Facsimile and electronic signatures shall be valid and effective as if original signatures.
19. Attorneys' Fees. Each Party to this Agreement agrees to bear his or its own costs, expenses, and attorneys' fees associated with the Actions, the negotiation and drafting of this Agreement, the negotiations and settlement which led to this Agreement, or otherwise relating in any way to the dispute between the Parties.



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20. Construction/Interpretation. The Parties agree that this Agreement has been, and shall be, construed to have been drafted by all the parties to this Agreement to it so that the rule of construing ambiguities against the drafter shall have no force or effect.
21. No Assignment or Transfer. GLV represents and warrants that it has not and covenants that it will not assign or transfer any claim against Volcon to any other person or entity or otherwise represent or assert that Volcon is liable to any third party for any obligation relating to its business dealings with GLV or any of the claims embodied in the releases specified in this Agreement.
22. Authorized Party. The Parties agree that the foregoing Agreement has been carefully read, that they understand its contents, and have signed the Agreement of their own free will and have not been influenced in making this Agreement by any representative of any of the Parties to this Agreement. The person executing this Agreement on behalf of each of the parties is fully authorized and legally competent to execute this Agreement as the legal, valid, and binding act and deed of such party, and is a duly authorized representative of such party.
23. Notice. Any notice required to be given under this agreement shall be given either by electronic mail as follows:

To Volcon:

Volcon, Inc.  
3121 Eagles Nest Street, Suite 120  
Round Rock, TX 78665  
Attention: Greg Endo, CFO  
greg@volcon.com

With copies (which shall not be deemed to be notices) to:

Cavas Pavri  
ArentFox Schiff LLP  
1717 K Street NW  
Washington, DC 20006  
cavas.pavri@afslaw.com

To GLV:

GLV Ventures  
[\*\*\*]

With copies (which shall not be deemed to be notices) to:

[\*\*\*]

*[Signatures appear on next page.]*

Certain identified information has been excluded from this exhibit because it is both not material and is the type that the issuer treats as private or confidential. Information that was omitted has been noted in this document with a placeholder identified by the mark “[\*\*\*]”.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date set forth above.

VOLCON INC.

By: /s/ Greg Endo  
Name: Greg Endo  
Title: Chief Financial Officer

GLV VENTURES

By: [\*\*\*]  
Name: [\*\*\*]  
Title: [\*\*\*]

## Volcon, Inc.

**INSIDER TRADING POLICY  
(adopted January 1, 2022)****Purpose**

This Insider Trading Policy (the “Policy”) provides guidelines with respect to transactions in Volcon, Inc. (the “Company”) securities and the handling of confidential information about the Company and the companies with which the Company does business. The Company’s board of directors has adopted this Policy to promote compliance with federal and state securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (i) trading in securities of that company; or (ii) providing material nonpublic information to other persons who may trade on the basis of that information.

**Persons Subject to the Policy**

This Policy applies to all employees of the Company (and any future subsidiaries), and all members of the Company’s board of directors. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. This Policy also applies to family members, other members of a person’s household and entities controlled by a person covered by this Policy, as described below.

**Transactions Subject to the Policy**

This Policy applies to transactions in the Company’s securities (collectively referred to in this Policy as “Company Securities”), including the Company’s common stock, options to purchase common stock, or any other type of securities that the Company may issue, including (but not limited to) preferred stock, convertible debentures and warrants, as well as derivative securities that are not issued by the Company, such as exchange-traded put or call options or swaps relating to the Company’s Securities.

**Administration of the Policy**

Greg Endo, CFO, shall serve as the Compliance Officer for the purposes of this Policy, and in his absence, Jordan Davis, CEO, or another employee designated by the Compliance Officer shall be responsible for administration of this Policy. All determinations and interpretations by the Compliance Officer shall be final and not subject to further review.

**Individual Responsibility**

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in Company Securities while in possession of material nonpublic information. Persons subject to this policy must not engage in illegal trading and must avoid the appearance of improper trading. Each individual is responsible for making sure that he or she complies with this Policy, and that any family member, household member or entity whose transactions are subject to this Policy, as discussed below, also comply with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of the Company, the Compliance Officer or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading “Consequences of Violations.”

### **Statement of Policy**

It is the policy of the Company that no director, officer or other employee of the Company (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) who is aware of material nonpublic information relating to the Company may, directly, or indirectly through family members or other persons or entities:

1. Engage in transactions in Company Securities, except as otherwise specified in this Policy under the headings “Transactions Under Company Plans,” “Transactions Not Involving a Purchase or Sale” and “Rule 10b5-1 Plans;”
2. Recommend the purchase or sale of any Company Securities;
3. Disclose material nonpublic information to persons within the Company whose jobs do not require them to have that information, or outside of the Company to other persons, including, but not limited to, family, friends, business associates, investors and consulting firms, unless any such disclosure is made in accordance with the Company’s policies regarding the protection or authorized external disclosure of information regarding the Company; or
4. Assist anyone engaged in the above activities.

In addition, it is the policy of the Company that no director, officer or other employee of the Company (or any other person designated as subject to this Policy) who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business (or may in the future conduct business or enter into a transaction), including a customer, supplier, or business partner of the Company, may trade in that company’s securities until the information becomes public or is no longer material.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company’s reputation for adhering to the highest standards of conduct.

### **Definition of Material Nonpublic Information**

**Material Information.** Information is considered “material” if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities. Any information that could be expected to affect a company’s stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances, and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- The status of new vehicles;
- The status of any regulatory approvals for our products;
- Projections of future earnings or losses, or other earnings guidance;
- A pending or proposed merger, acquisition or tender offer;
- A pending or proposed acquisition or disposition of a significant asset;
- A pending or proposed joint venture;
- Significant related party transactions;
- A change in management;
- A change in auditors or notification that the auditor’s reports may no longer be relied upon;
- Development of a significant new product or service;
- Pending or threatened significant litigation, or the resolution of such litigation;
- Impending bankruptcy or the existence of severe liquidity problems;
- The gain or loss of a significant customer or supplier;
- A significant cybersecurity incident, such as a data breach, or any other significant disruption in the company’s operations or loss, potential loss, breach or unauthorized access of its property or assets, whether at its facilities or through its information technology infrastructure; or
- The imposition of an event-specific restriction on trading in Company Securities or the securities of another company or the extension or termination of such restriction.

**When Information is Considered Public.** Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through newswire services, publication in a widely-available newspaper, magazine or news website, or public disclosure documents filed with the SEC that are available on the SEC’s website. By contrast, information would likely not be considered widely disseminated if it is available only to the Company’s employees, or if it is only available to a select group of analysts, brokers and institutional investors.

Once information is widely disseminated, it is still necessary to provide the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace for two trading days. If, for example, the Company were to make an announcement on Monday morning, you should not trade in Company Securities until Wednesday.

Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

### **Transactions by Family Members and Others**

This Policy applies to your family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Company Securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company Securities (collectively referred to as “Family Members”). You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in Company Securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account.

### **Transactions by Entities that You Influence or Control**

This Policy applies to any entities that you influence or control, including any corporations, partnerships or trusts (collectively referred to as “Controlled Entities”), and transactions by these Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for your own account.

### **Transactions Under Company Plans**

This Policy does not apply in the case of the following transactions, except as specifically noted:

Stock Option Exercises. This Policy does not apply to the exercise of an employee or director stock option acquired pursuant to the Company’s plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Restricted Stock Awards. This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The Policy does apply, however, to any market sale of restricted stock.

### **Transactions Not Involving a Purchase or Sale**

*Bona fide* gifts are not transactions subject to this Policy, unless the person making the gift has reason to believe that the recipient intends to sell the Company Securities while the officer, employee or director is aware of material nonpublic information. Further, transactions in mutual funds that are invested in Company Securities are not transactions subject to this Policy.

## **Special and Prohibited Transactions**

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. It therefore is the Company's policy that any persons covered by this Policy may not engage in any of the following transactions, or should otherwise consider the Company's preferences as described below:

**Short Sales.** Short sales of Company Securities (*i.e.*, the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of Company Securities are prohibited. In addition, Section 16(c) of the Exchange Act prohibits officers and directors from engaging in short sales.

**Publicly-Traded Options.** Given the relatively short term of publicly-traded options, transactions in options may create the appearance that a director, officer or employee is trading based on material nonpublic information and focus a director's, officer's or other employee's attention on short-term performance at the expense of the Company's long-term objectives.

Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy.

**Hedging Transactions.** Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such transactions may permit a director, officer or employee to continue to own Company Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other shareholders. Therefore, directors, officers and employees are prohibited from engaging in any such transactions, without receiving for approval by the Compliance Officer. Any request for clearance of a hedging or similar arrangement must be submitted to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed transaction and must set forth a justification for the proposed transaction.

**Margin Accounts and Pledged Securities.** Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company Securities, directors, officers and other employees are prohibited from holding Company Securities in a margin account or otherwise pledging Company Securities as collateral for a loan.

**Standing and Limit Orders.** Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans, as described below) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer or other employee is in possession of material nonpublic information. The Company therefore prohibits placing standing or limit orders on Company Securities, unless such order are structured to comply with the pre-clearance requirements set forth in this Policy. If a person subject to this Policy determines that they must use a standing order or limit order, the order should be limited to a short duration and must otherwise comply with the restrictions and procedures outlined below under the heading "Additional Procedures."

## **Additional Procedures**

The Company has established additional procedures in order to assist the Company in the administration of this Policy, to facilitate compliance with laws prohibiting insider trading while in possession of material nonpublic information, and to avoid the appearance of any impropriety.

**Pre-Clearance Procedures.** *All Company directors, officers, as well as the Family Members and Controlled Entities of such persons, may not engage in any transaction in Company Securities without first obtaining pre-clearance of the transaction from the Compliance Officer.* Such pre-clearance must be in the form of an email from the Compliance Officer: (i) to the officer's or employee's Company-provided email account; or (ii) if to a director or to an individual that does not have a Company-provided email account, to such email account with which the individual conducts business with the Company (or if no such email account exists, in a written notification from the Compliance Officer). A request for pre-clearance should be submitted to the Compliance Officer at least two business days in advance of the proposed transaction. Any pre-cleared trades must be effected within two business days of receipt of pre-clearance unless an exception is granted. Transactions not effected within such time limit would be subject to pre-clearance again. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Company Securities, and should not inform any other person of the restriction.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about the Company, and should describe fully those circumstances to the Compliance Officer. The requestor that is a director or executive officer should also indicate whether he or she has effected any non-exempt "opposite-way" transactions within the past six months, and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5. The requestor should also be prepared to comply with SEC Rule 144 and file Form 144, if necessary, at the time of any sale.

**Black-Out Periods.** No officer, director or other employee, as may be amended from time to time by the Board, the Chief Executive Officer, the Chief Financial Officer or the Compliance Officer as being subject to quarterly blackout periods shall purchase or sell any security of the Company during the period beginning at 11:59 p.m., Eastern time, on the 14th calendar day before the end of any fiscal quarter of the Company and ending upon the completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company, except for purchases and sales made pursuant to the permitted transactions described herein. For example, if the Company's fourth fiscal quarter ends at 11:59 p.m., Eastern time, on December 31, the corresponding blackout period would begin at 11:59 p.m., Eastern time, on December 17. For the avoidance of doubt, any designation by the Board of the employees who are subject to quarterly blackout periods may be updated from time to time by the Chief Executive Officer, Chief Financial Officer or Compliance Officer.

Exceptions to the black-out period policy may be approved only by the Compliance Officer (or, in the case of an exception for the Compliance Officer or persons or entities subject to this policy as a result of their relationship with the Compliance Officer, the Chief Executive Officer or, in the case of exceptions for directors or persons or entities subject to this policy as a result of their relationship with a director, the Board).

**Event-Specific Trading Restriction Periods.** From time to time, an event may occur that is material to the Company and is known by only a few directors, officers and/or employees. So long as the event remains material and nonpublic, the persons designated by the Compliance Officer may not trade Company Securities, including making any pre-clearance requests. In addition, the Company's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, designated persons should refrain from trading in Company Securities. In that situation, the Compliance Officer may notify these persons that they should not trade in the Company's Securities, without disclosing the reason for the restriction. The existence of an event-specific trading restriction period will not be announced to the Company as a whole, and should not be communicated to any other person. Even if the Compliance Officer has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of material nonpublic information. Exceptions will not be granted during an event-specific trading restriction period.

**Exceptions.** The event-specific trading restrictions do not apply to those transactions to which this Policy does not apply, as described above under the headings "Transactions Under Company Plans" and "Transactions Not Involving a Purchase or Sale." Further, the requirement for pre-clearance and event-specific trading restrictions do not apply to transactions conducted pursuant to approved Rule 10b5-1 plans, described under the heading "Rule 10b5-1 Plans" below.



### **Rule 10b5-1 Plans**

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability under Rule 10b-5. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan for transactions in Company Securities that meets certain conditions specified in the Rule (a “Rule 10b5-1 Plan”). If the plan meets the requirements of Rule 10b5-1, Company Securities may be purchased or sold without regard to certain insider trading restrictions. To comply with the Policy, a Rule 10b5-1 Plan must be approved by the Compliance Officer and meet the requirements of Rule 10b5-1. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of material nonpublic information. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

Any Rule 10b5-1 Plan must be submitted for approval 20 days prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required.

### **Post-Termination Transactions**

This Policy continues to apply to transactions in Company Securities even after termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in Company Securities until that information has become public or is no longer material.

### **Consequences of Violations**

The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in the Company’s Securities, is prohibited by federal and state laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities as well as the laws of foreign jurisdictions. Punishment for insider trading violations is severe, and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other “controlling persons” if they fail to take reasonable steps to prevent insider trading by company personnel.

In addition, an individual’s failure to comply with this Policy may subject the individual to Company-imposed sanctions, including dismissal for cause, whether or not the employee’s failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person’s reputation and irreparably damage a career.

### **Company Assistance**

Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the Compliance Officer, who can be reached by telephone at 972 679 7964 or by e-mail at [greg@volcon.com](mailto:greg@volcon.com).

### **Certification**

All persons subject to this Policy must certify their understanding of, and intent to comply with, this Policy.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in these Registration Statements on Form S-8 (No. 333-261312 and 333-266788), Form S-1 (333-274800, 333-272564 and 333-267404) and Form S-3 (No. 333-269644) of our report dated March 31, 2025 with respect to the audited consolidated financial statements of Volcon, Inc. and its subsidiary (collectively, the “Company”) appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2024.

*/s/ MaloneBailey, LLP*  
www.malonebailey.com  
Houston, Texas  
March 31, 2025

## CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, John Kim, certify that:

1. I have reviewed this annual report on Form 10-K 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's 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; and

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.

March 31, 2025

By: /s/ John Kim  
John Kim  
Chief Executive Officer  
(Principal executive officer)

## CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, Greg Endo, certify that:

1. I have reviewed this annual report on Form 10-K 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's 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; and

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.

March 31, 2025

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

**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 annual report on Form 10-K for the year ended December 31, 2024 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 31, 2025

By: /s/ John Kim  
John Kim  
Chief Executive Officer  
(Principal Executive Officer)

**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 annual report on Form 10-K for the year ended December 31, 2024 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 31, 2025

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