



VOLCON, INC.
FINANCIAL STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2020

WITH INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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Belle Business Services

Certified Public Accountants

INDEPENDENT ACCOUNT'S REVIEW REPORT

To the Board of Directors
VOLCON, Inc.
West Lake Hills, Texas

We have reviewed the accompanying financial statements of VOLCON, Inc., which comprise the balance sheet as of September 30, 2020, and the related statement of income, statement of equity and statement of cash flows for the period then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Belle Business Services, LLC

Belle Business Services, LLC
October 20, 2020

VOLCON, INC.
BALANCE SHEET
SEPTEMBER 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,384,500
Prepaid expenses and other current assets	<u>10,000</u>

TOTAL CURRENT ASSETS	<u>1,394,500</u>
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OTHER ASSETS

Intangible assets	<u>17,244</u>
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TOTAL OTHER ASSETS	<u>17,244</u>
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TOTAL ASSETS	<u><u>\$ 1,411,744</u></u>
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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 55,141
Note payable	<u>32,376</u>

TOTAL CURRENT LIABILITIES	<u>87,517</u>
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TOTAL LIABILITIES	<u>87,517</u>
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SHAREHOLDERS' EQUITY

Preferred Stock, see note 4	-
Common stock, see note 4	8
Additional paid-in capital	1,635,826
Retained Earnings	<u>(311,607)</u>

TOTAL SHAREHOLDERS' EQUITY	<u>1,324,227</u>
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 1,411,744</u></u>
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See independent accountant's review report and accompanying notes to financial statements.

VOLCON, INC.
STATEMENT OF INCOME
SEPTEMBER 30, 2020

REVENUES	\$ -
COST OF GOODS SOLD	<u>-</u>
GROSS PROFIT	-
OPERATING EXPENSES	
Advertising and marketing	26,946
Amortization expense	194
General and administrative	53,224
Legal and professional fees	75,668
Licenses and permits	1,709
Product design	<u>153,866</u>
TOTAL OPERATING EXPENSES	<u>311,607</u>
NET OPERATING LOSS	<u>(311,607)</u>
NET LOSS	<u><u>\$ (311,607)</u></u>

See independent accountant's review report and accompanying notes to financial statements.

VOLCON, INC.
STATEMENT OF EQUITY
SEPTEMBER 30, 2020

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Aditional Paid-in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
BEGINNING BALANCE, FEBRUARY 21, 2020 (INCEPTION)	-	\$ -	-	\$ -	-	\$ -	\$ -
Issuance of stock	-	-	775,000	8	10,826	-	10,834
Issuance of SAFE obligation	-	-	-	-	1,625,000	-	1,625,000
Net income						(311,607)	(311,607)
ENDING BALANCE, SEPTEMBER 30, 2020	<u>-</u>	<u>\$ -</u>	<u>775,000</u>	<u>\$ 8</u>	<u>\$ 1,635,826</u>	<u>\$ (311,607)</u>	<u>\$ 1,324,227</u>

See independent accountant's review report and accompanying notes to financial statements.

VOLCON, INC.
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)	\$ (311,607)
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Prepaid expenses and other current assets	(10,000)
Increase (decrease) in liabilities:	
Accounts payable	<u>55,141</u>

CASH USED FOR OPERATING ACTIVITIES **(266,466)**

CASH FLOWS FROM INVESTING ACTIVITIES

Cash used for intangible assets (17,244)

CASH USED FOR INVESTING ACTIVITIES **(17,244)**

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of common stock	10,834
Issuance of note payable	32,376
Issuance of SAFE obligations	<u>1,625,000</u>

CASH PROVIDED BY FINANCING ACTIVITIES 1,668,210

NET INCREASE IN CASH **1,384,500**

CASH AT INCEPTION -

CASH AT END OF PERIOD \$ 1,384,500

CASH PAID DURING THE YEAR FOR:

INTEREST \$ -

INCOME TAXES \$ -

See independent accountant's review report and accompanying notes to financial statements.

VOLCON, INC.
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2020

1. Summary of Significant Accounting Policies

The Company

VOLCON, Inc. (the "Company") was incorporated in the State of Delaware on February 21, 2020. The Company specializes in building electric motorcycles, side by sides, and other vehicles that completely change the outdoor experience by removing the noise of an engine.

Fiscal Year

The Company operates on a December 31st year-end.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP).

Use of Estimates

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at fiscal year-end. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with maturities of three months or less to be cash equivalents. As of September 30, 2020, the Company held no cash equivalents.

Risks and Uncertainties

The Company has a limited operating history. The Company's business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company's control could cause fluctuations in these conditions.

Intangible Assets

The Company has recorded intangible assets at cost. The intangible assets consist of patents. Patents costs are amortized over the useful life of the patent. Amortization expense for the period ending September 30, 2020 and was nil.

Income Taxes

The Company complies with FASB ASC 740 for accounting for uncertainty in income taxes recognized in a company's financial statements, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

See independent accountant's review report.

VOLCON, INC.
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2020

1. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Company is subject to tax filing requirements as a corporation in the federal jurisdiction of the United States. The Company sustained net operating losses since inception. Net operating losses will be carried forward to reduce taxable income in future years. Due to management's uncertainty as to the timing and valuation of any benefits associated with the net operating loss carryforwards, the Company has elected to recognize an allowance to account for them in the financial statements but has fully reserved it. Under current law, net operating losses may be carried forward indefinitely.

The Company is subject to franchise and income tax filing requirements in the States of Delaware and Texas.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

- Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of Inception. Fair values were assumed to approximate carrying values because of their short term in nature or they are payable on demand.

Concentrations of Credit Risk

From time to time cash balances, held at a major financial institution may exceed federally insured limits of \$250,000. Management believes that the financial institution is financially sound and the risk of loss is low.

See independent accountant's review report.

VOLCON, INC.
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2020

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee for the arrangement is fixed or determinable and collectability is reasonably assured. As of September 30, 2020, the Company has not recognized any revenue.

Advertising Expenses

The Company expenses advertising costs as they are incurred.

Organizational Costs

In accordance with FASB ASC 720, organizational costs, including accounting fees, legal fee, and costs of incorporation, are expensed as incurred.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers". Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard for nonpublic entities will be effective after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. The Company is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

2. Commitments and Contingencies

The Company is not currently involved with and does not know of any pending or threatening litigation against the Company or its members.

3. SAFE Obligations

Since inception, the Company issued Simple Agreements for Future Equity ("SAFE"). The SAFE agreements have no maturity date and bear no interest. The SAFE agreements provide a right to the holder to future equity in the Company in the form of SAFE Preferred Stock. SAFE Preferred Stock are shares of a series of Preferred Stock issued to the investor in an equity financing, having identical rights, privileges, preferences and restrictions as the shares of standard Preferred Stock offered to non-holders of SAFE agreements other than with respect to: (i) the per share liquidation preference and the conversion price for purposes of price-based anti-dilution protection, which will equal the conversion price; and (ii) the basis for any dividend rights, which will be based on the conversion price. The number of shares issued to the holder is determined by either (1) the face value of the SAFE agreement divided by the price per share of the standard preferred stock issued, if the pre-money valuation is less than or equal to the valuation cap; or (2) a number of shares of SAFE Preferred Stock equal to the face value of the SAFE agreement divided by the price per share equal to the valuation cap divided by the total capitalization of the company immediately prior to an equity financing event. Total capitalization of the company includes all shares of capital stock issued and outstanding and outstanding vested and unvested options as if converted.

See independent accountant's review report.

VOLCON, INC.
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2020

3. SAFE Obligations (continued)

If there is a liquidity event (as defined in the SAFE agreements), the investor will, at their option, either (i) receive a cash payment equal to the face value of the SAFE agreement ("Purchase Amount") or (ii) automatically receive from the Company a number of shares of common stock equal to the Purchase Amount divided by the price per share equal to the valuation cap divided by the Liquidity Capitalization ("Liquidity Price") (as defined in the SAFE agreements). If there are not enough funds to pay the holders of SAFE agreements in full, then all of the Company's available funds will be distributed with equal priority and pro-rata among the SAFE agreement holders in proportion to their Purchase Amounts and they will automatically receive the number of shares of common stock equal to the remaining unpaid Purchase Amount divided by the Liquidity Price.

If there is a dissolution event (as defined in the SAFE agreements), the Company will pay an amount equal to the Purchase Amount, due and payable to the investor immediately prior to, or concurrent with, the consummation of the dissolution event. The Purchase Amount will be paid prior and in preference to any distribution of any of the assets of the Company to holders of outstanding capital stock. If immediately prior to the consummation of the dissolution event, the assets of the Company legally available for distribution to all SAFE holders, are insufficient to permit the payment to their respective Purchase Amounts, then all of the assets of the Company legally available for distribution will be distributed with equal priority and pro-rata among the SAFE holders as a single class.

The SAFE agreements will expire and terminate upon either (i) the issuance of shares to the investor pursuant to an equity financing event or (ii) the payment, or setting aside for payment, of amounts due to the investor pursuant to a liquidity or dissolution event.

As of September 30, 2020, no SAFE agreements had been converted into equity, nor had any terminated or expired based on the terms of the agreements.

As of September 30, 2020, the Company had \$1,625,000 of SAFE obligations outstanding, with a valuation cap of \$5,000,000.

The Company accounts for the SAFE agreements under ASC 480 (Distinguishing Liabilities from Equity), which requires that they be recorded at fair value as of the balance sheet date. Any changes in fair value are to be recorded in the statement of income. The Company has determined that the fair value at the date of issuance, and as of September 30, 2020 are both consistent with the proceeds received at issuance, and therefore there is no mark-to-market fair value adjustments required, or reflected in income for the years ended September 30, 2020.

4. Equity

Preferred Stock

Under the articles of incorporation, the Company has the authority to issue up to 1,000,000 shares of preferred stock at a \$0.00001 par value. As of September 30, 2020, no shares have been issued and none are outstanding.

See independent accountant's review report.

VOLCON, INC.
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2020

4. Equity (continued)

Common Stock

Under the articles of incorporation, the Company has the authority to issue up to 2,000,000 shares of common stock at a \$0.00001 par value. As of September 30, 2020, 775,000 shares have been issued and are outstanding.

5. Note Payable

Debt consisted of the following at September 30, 2020:

Short-term note payable, no interest, maturing in November 2020, uncollateralized, in the amount of \$32,376. \$20,000 monthly payment in October 2020, and remainder of the balance in November 2020.

6. Subsequent Events

The Company has evaluated subsequent events through October 20, 2020 the date through which the financial statement was available to be issued. It has been determined that no events require additional disclosure.

See independent accountant's review report.