LEATT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

Leatt Corporation (the "Company") was incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. On June 17, 2005, the Company changed its name to Leatt Corporation in connection with the Company's acquisition of rights to use the Leatt Neck Brace patents and trademarks. The Company designs, distributes and markets personal protective equipment for all forms of motor sports, based on the Leatt-Brace ® system, a patented neck protection system for helmeted sports. The Company's products are manufactured in China and sold to customers worldwide through a global network of distributors and retailers. The Company's revenues are generated solely from the sale of Leatt-Brace ® products.

The Company conducts business in South Africa as a foreign registered branch, and in the United States through the Company's wholly owned subsidiary, Two Eleven Distribution, LLC ("Two Eleven"), a California limited liability company. Two Eleven acts as a distributor of the Leatt-Brace ® in the United States. Research and development efforts, global sales and marketing are managed out of the Company's foreign registered branch located in Cape Town, South Africa. United States sales are managed by Two Eleven located in Valencia, California. The Company also has a wholly owned subsidiary, Three Eleven Distribution ("Three Eleven") which was an inactive South African incorporated company until December 2008, when it acquired South African registered patents relating to products unrelated to the Leatt-Brace ® from Xceed Holdings (Pty) Ltd. ("Holdings"), a South African incorporated company controlled by the Company's founder. The Company established a new wholly owned subsidiary, Leatt New Zealand Limited during the first fiscal quarter of 2009. This company acts as the distributor of the Leatt-Brace ® in New Zealand.

The Company has the exclusive global manufacturing and distribution rights to the Leatt-Brace® which is an injection molded neck protection system designed to prevent potentially devastating motor sport injuries to the cervical spine and neck. The patents and all rights for the Leatt-Brace® are held by Holdings, except for those patents recently acquired by Three Eleven. There is a license agreement between Holdings and the Company which gives the Company the exclusive worldwide right and license to manufacture, sell and use apparatus embodying, employing and containing the Leatt-Brace® technology.

Basis of presentation

The consolidated balance sheet as of December 31, 2009 was audited. The consolidated balance sheet as of June 30, 2010 and the consolidated statements of operations for the three months ended June 30, 2010 and the six months ended June 30, 2010, the consolidated statement of changes in stockholders' equity for the six months ended June 30, 2010 and the related information contained in these notes have been prepared by management without audit. In the opinion of management, all adjustments (which include only normal recurring items) necessary to present fairly the financial position, results of operations and changes in stockholders' equity in conformity with generally accepted accounting principles as of June 30, 2010 and for all periods presented have been made. Interim operating results are not necessarily indicative of operating results for a full year.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's consolidated financial statements for the year ended December 31, 2009.

Market for Common Stock - In order to enhance the ability of the Company's shareholders to trade their Company common stock, the Company's common stock is quoted on The Pink Sheets OTC Market ("Pink Sheets") (Symbol: Leat.pk) with Ladenburg Thalmann & Co. Inc. having filed the application to quote the Company's common stock on The Pink OTC Market.

Critical Accounting Policies

Principles of consolidation - The accompanying consolidated financial statements include the accounts of Leatt Corporation and its wholly owned subsidiaries: Two Eleven Distribution, LLC, Three Eleven Distribution and Leatt New Zealand Limited. All significant intercompany transactions have been eliminated.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas involving our judgments and estimates are described below.

Revenue and Cost Recognition - All manufacturing of the Leatt-Brace ® is performed by third party subcontractors in China.

The Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the customer.

International sales are generally drop-shipped directly from the third party manufacturer to the Company's customers. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when shipping terms are Free On Board ("FOB") shipping point or Cost and Freight (C&F) as legal title and risk of loss to the product pass to the customer. For FOB destination point arrangements, revenue is recorded upon receipt at the customer's location.

Short-term investments - The Company's short-term investments consists of certificates of deposit with a maturity of greater than three months but less than twelve months.

Accounts Receivable - Accounts receivable consist of amounts due to the Company from normal business activities. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables as well as historical collection information. Credit is granted to substantially all international customers on an unsecured basis. In determining the amount of the allowance, management is required to make certain estimates and assumptions.

Inventory – Inventory is stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, the Company utilizes historical experience as well as current market information.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the estimated useful lives of the respective assets.

The estimated useful lives of assets for financial reporting purposes are as follows: moulds and tools, 2 to 5 years; computer equipment and software, 2 to 5 years; office and other equipment, 3 to 6 years; vehicles, 3 to 5 years; leasehold improvements, 3 years. The costs of improvements that extend the lives of the assets are capitalized. Repairs and maintenance are expensed as incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Impairment of Long-Lived Assets – The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows to be generated by the assets. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Based on these reviews, no asset impairment charges were made to the carrying value of long-lived assets during the quarter ended June 30, 2010.

Intangible Assets – The Company's intangible assets consist of acquired patents with an indefinite useful life and are thus not amortized. Intangible assets are carried at cost less impairment. Amortization expense for the quarter ended June 30, 2010 was zero. There was no impairment of intangible assets at June 30, 2010.

Patent Costs - Legal costs in connection with approved patents (including those owned by Holdings) and patent applications are expensed as incurred and classified as professional fees in the consolidated statements of operations.

Research and Development – Research and development costs are expensed as incurred.

Foreign Currency Translation and Foreign Currency Transactions - The U.S. dollar is the Company's reporting currency. Assets and liabilities of the Company’s foreign operations, consisting of its South African Branch and Leatt New Zealand Limited, denominated in its local currency, SA RAND and NEW ZEALAND DOLLAR respectively, are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the rate of exchange at the date of the transaction in the applicable period. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income (loss) in stockholders' equity. Gains and losses generated by transactions denominated in foreign currencies are recorded in the accompanying statement of operations in the period in which they occur.

Stock Based Compensation - The Company accounts for stock based compensation in accordance with the fair-value-base method set forth in FASB ASC Topic 718-10, Stock-based Compensation, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors, including employee stock options, based on the estimated fair values on the date of grant or the fair value of the services performed.

The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a pro rata basis over the requisite service period of each vesting tranche of each award. The Company considers voluntary termination behavior as well as trends of actual option forfeitures when estimating the forfeiture rate.

Income Taxes - The Company uses the asset and liability approach to account for income taxes. Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the income tax basis of assets and liabilities. A valuation allowance is applied against any net deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The provision for income taxes includes taxes currently payable, if any, plus the net change during the period in deferred tax assets and liabilities recorded by the Company.

The Company applies the provisions of FASB ASC Topic 740-10, Accounting for Uncertainty in Income Taxes (“Standard”), which provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is more likely than not of being sustained upon examination by tax authorities. An uncertain income tax position will not be recognized if it has less than 50% likelihood of being sustained. Additionally, the Standard provides guidance on derecognition, classification, interest and penalties; accounting for interim periods, disclosure and transition, and any amounts when incurred would be recorded under these provisions.

The Company’s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of June 30, 2010, the Company has no unrecognized tax benefits and the Company currently has no federal or state tax examinations in progress.

Fair Value of Financial Instruments - The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, short-term investments, accounts receivable, inventory, payments in advance, customer deposits, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments.

Concentration of Credit Risk - The Company maintains cash and cash equivalent balances at several financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). At June 30, 2010, the Company's bank balances totaled $1,567,295. The Company has not experienced any significant losses on its cash and cash equivalents.

The Company's trade receivables are derived from sales to distributors and dealers. The Company has adopted credit policies and standards intended to accommodate industry growth and inherent risk. Management believes that credit risks are moderated by the diversity of the Company's end customers and geographic sales areas. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary. The Company maintains allowances for potential credit losses as needed and has not experienced any significant losses related to the collection of its accounts receivable.

Commitments and Contingencies - The Company is named as a defendant in a Kentucky state court lawsuit. The claim is for alleged product defects and breach of product warranties. The Company believes the claims are without merit and will vigorously defend against this action. The Company has filed a complaint in California against two California entities claiming trade secret misappropriations, unfair competition and tortious interference. The Company has also been named as a defendant in a California Superior Court Lawsuit. The claim is based on product liability. The Company does not believe the claims in this case have merit. The Company cannot predict at this time the outcome of any current litigation and as of the date hereof intends to defend this legal action.

Subsequent Events - The Company has evaluated all subsequent events through the date the financial statements were released.

Results of Operations

For the quarters and six months ended June 30, 2010 and 2009.

Revenues – For the three months ended June 30, 2010, revenues were $2,859,940 compared to $3,106,200 for the same period in 2009 – a decrease of 8%. Revenues for the six months ended June 30, 2010 were $5,813,320, a decrease of 22% compared to revenues of $7,451,523 for the six months ended June 30, 2009. This decrease is primarily the effect of the worldwide economic slowdown. The Company has responded to this situation by building a team of international sales professionals in Europe and the USA, expanding distribution geographically as well as offering revised terms to distributors. The Company continues to develop new products and market efficiently to reach wider markets. The Company has also reduced its corporate staff and general administrative overhead in the fiscal quarter ending June 30, 2010, in response to the decline in sales.

For the six months ended June 30, 2010, and 2009, international sales approximated 53% and 53% respectively of total sales.

Cost of revenues and gross profit - Cost of revenues and gross profit for the three months ended June 30, 2010, were $1,072,021 and $1,787,919, or 63% of sales respectively. For the same period in 2009, cost of revenues and gross profit were $1,322,810 and $1,783,390, or 57% of sales respectively. This increase in gross profit percentage is due to the timing of royalty payments on prior year sales.

Cost of revenues and gross profit for the six months ended June 30, 2010, were $2,223,484 and $3,589,836 or 62% of sales respectively. For the same period in 2009, cost of revenues and gross profit were $2,699,568 and $4,751,955 or 64% of sales respectively. This decrease in gross profit percentage is due to a change in the Company's sales mix as well as sales incentives given to stimulate sales.

Salaries and wages – Salaries and wages for the quarters ended June 30, 2010 and 2009, were $911,188 and $830,903, respectively. For the six months ended June 30, 2010 and 2009, salaries and wages were $1,806,830 and $1,733,241, respectively. This increase in salaries and wages is the result of accumulated leave and severance payments made to employees as part of the Company's restructuring in the fiscal quarter ended June 30, 2010.

Salaries and wages for the six months ending June 30, 2010, also include $50,000 relating to the Company's stock-based compensation plan.

Commissions and consulting expense – Commissions and consulting expense for the quarters ended June 30, 2010 and 2009, were $104,899 and $103,892, respectively. Commission and consulting expense for the six months ended June 30, 2010 and 2009, were $235,386 and $218,473, respectively. This increase in commissions and consulting expenses is a result of increased selling incentives as well as system implementation and market research consulting fees incurred.

Professional fees – Professional fees for the quarters ended June 30, 2010 and 2009, were $197,458 and $215,315, respectively. Professional fees for the six months ended June 30, 2010 and 2009, were $426,770 and $621,642, respectively. These are costs incurred for audit, tax and quarterly reporting requirements, patent protection and litigation expense, regulatory filings, product testing and certification outsourcing and other costs incurred as the Company continues to expand. This decrease in professional fees is primarily the effect of a decreased level of spending on current patent litigation for the six months ended June 30, 2010.

Advertising and marketing – Advertising and marketing expenses for the quarters ended June 30, 2010 and 2009, were $277,014 and $454,711, respectively. Advertising and marketing for the six months ended June 30, 2010 and 2009, were $538,744 and $739,196, respectively. The Company places paid advertising in various motorsport magazines and sponsors a number of events and riders to increase exposure. The Company also uses employee and agent marketing and sales personnel to promote the sale of products to distributors and dealers. During 2010 the Company has refined these with strategic investment in activities that yield the most benefit. The decrease in advertising costs is the result of this improved advertising efficiency.

Office rent and expenses – Office rent and expenses for the quarters ended June 30, 2010 and 2009, were $52,745 and $57,818, respectively. Office rent and expenses for the six months ended June 30, 2010 and 2009, were $112,957 and $112,609, respectively. The Company currently rents premises for its operations in South Africa, New Zealand and the United States.

Research and development costs – Research and development costs for the quarters ended June 30, 2010 and 2009, were $27,950 and $23,516, respectively. Research and development costs for the six months ended June 30, 2010 and 2009 were $61,610 and $41,838, respectively. Costs were incurred to review competitor products and continue to develop new products.

General and administrative expenses – General and administrative expenses for the quarters ended June 30, 2010 and 2009, were $413,324 and $387,183, respectively. General and administrative expenses for the six months ended June 30, 2010 and 2009, were $703,490 and $670,739, respectively. These costs consist of insurance, travel, merchant fees, telephone, office and computer supplies and other sundry expenses; with insurance and travel comprising the bulk of these expenses. The increase in general and administrative expenses is due to increased travel required as the Company expands worldwide.

Depreciation – Depreciation for the quarters ended June 30, 2010 and 2009 were $80,631 and $112,318, respectively. Depreciation for the six months ending June 30, 2010 and 2009 was $166,929 and $224,910, respectively. This decrease in depreciation is due to assets that were fully written off in fiscal year 2009.

Net Income – The net loss for the quarter ended June 30, 2010 was $293,793 up from a net loss of $394,139 for the quarter ended June 30, 2009. The net loss for the six months ended June 30, 2010 was $480,125 down from net income of $108,723 earned during the six months ended June 30, 2009. Net income was impacted primarily by the decreased revenue discussed above as a result of the worldwide economic slowdown. Management is confident that intensified global sales and marketing efforts, new products as well as the recent restructuring have a positive effect on net income going forward.

Liquidity and Capital Resources – At June 30, 2010, the Company had cash, cash equivalents and short-term investments of $1.9 million. We are currently meeting our working capital needs through cash on hand as well as internally generated cash from operations.

The Company believes that cash flow from operations, along with our cash on hand, should be sufficient to meet the operating cash requirements over the next twelve month period as currently contemplated. Our long-term financing requirements depend on our growth strategy, which relates primarily to our desire to increase revenue both domestically as well as internationally.

LEATT CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30 2010 Unaudited	December 31 2009 Audited
Current Assets		
Cash and cash equivalents	$ 1,631,454	$ 2,021,101
Short-term investments	308,624	307,466
Accounts receivable	1,461,317	1,091,622
Inventory	2,466,016	3,012,961
Payments in advance	221,296	98,177
Income tax refunds receivable	378,644	377,443
Due from related parties	-	7,273
Deferred tax assets	32,700	32,700
Prepaid expenses and other current assets	158,901	212,805
Total current assets	6,658,952	7,161,548
Property and equipment, net	1,309,716	1,294,722
Other Assets		
Deposits	31,380	7,896
Intangible assets, net	123,635	127,456
Total other assets	155,015	135,352
Total Assets	$ 8,123,683	$ 8,591,622

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30 2010 Unaudited	December 31 2009 Audited
Current Liabilities		
Accounts payable and accrued expenses	$ 1,060,746	$ 1,020,329
Customer deposits	239,085	124,662
Short term loan, net of finance charges	-	121,674
Total current liabilities	1,299,831	1,266,665
Deferred tax liabilities	14,276	12,800
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $.001 par value, 28,000,000 shares authorized, 3,000,000 issued and outstanding	3,000	3,000
Common stock, $.001 par value, 700,000,000 shares authorized, 132,255,669 and 131,922,336 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	132,255	131,922
Additional paid - in capital	7,445,610	7,395,943
Accumulated other comprehensive income	278,226	350,682
Accumulated deficit	(1,049,515)	(569,390)
Total stockholders' equity	6,809,576	7,312,157
Total Liabilities and Stockholders' Equity	$ 8,123,683	$ 8,591,622

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30		Six Months Ended June 30	
	2010 Unaudited	2009 Unaudited	2010 Unaudited	2009 Unaudited
Revenues	$ 2,859,940	$ 3,106,200	$ 5,813,320	$ 7,451,523
Cost of Revenues	1,072,021	1,322,810	2,223,484	2,699,568
Gross Profit	1,787,919	1,783,390	3,589,836	4,751,955
Operating Expenses				
Salaries and wages	911,188	830,903	1,806,830	1,733,241
Commissions and consulting expenses	104,899	103,892	235,386	218,473
Professional fees	197,458	215,315	426,770	621,642
Advertising and marketing	277,014	454,711	538,744	739,196
Office rent and expenses	52,745	57,818	112,957	112,609
Research and development costs	27,950	23,516	61,610	41,838
General and administrative expenses	413,324	387,183	703,490	670,739
Depreciation	80,631	112,318	166,929	224,910
Total operating expenses	2,065,209	2,185,656	4,052,716	4,362,648
Income / (Loss) from Operations	(277,290)	(402,266)	(462,880)	389,307
Other Income (Expense)				
Interest and other income, net	1,110	12,127	2,684	27,920
Other expenses, net	(17,613)	-	(17,529)	-
Total other income (expense)	(16,503)	12,127	(14,845)	27,920
Income / (Loss) Before Income Taxes	(293,793)	(390,139)	(477,725)	417,227
Income Taxes	-	4,000	2,400	308,504
Net Income / (Loss) Available to Common Shareholders	$ (293,793)	$ (394,139)	$ (480,125)	$ 108,723
Net Income (Loss) per Common share				
Basic	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Diluted	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Weighted Average Number of Common Shares Outstanding				
Basic	132,255,669	131,922,336	132,255,669	131,922,336
Diluted	132,255,669	131,922,336	132,255,669	131,922,336
Comprehensive Income (Loss)				
Net Income (Loss)	$ (293,793)	$ (394,139)	$ (480,125)	$ 108,723
Other comprehensive loss net of $ 0 income taxes				
Foreign currency translation	(71,856)	393,900	(72,456)	390,751
Total Comprehensive Income (Loss)	$ (365,649)	$ (239)	$ (552,581)	$ 499,474

LEATT CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
AS OF AND FOR THE PERIOD ENDED JUNE 30, 2010

	Preferred Stock A		Common Stock		Additional	Accumulated Other Comprensive	(Accumulated	
	Shares	Amount	Shares	Amount	Paid - In Capital	Income	Deficit)	Total
Balance, January 1, 2010	3,000,000	$ 3,000	131,922,336	$ 131,922	$ 7,395,943	$ 350,682	$ (569,390)	$ 7,312,157
Shares issued to satisfy obligation			333,333	333	49,667	-	-	50,000
Net income (loss)	-	-	-	-	-	-	(480,125)	(480,125)
Foreign currency translation adjustment	-	-	-	-	-	(72,456)	-	(72,456)
Balance, June 30, 2010	3,000,000	$ 3,000	132,255,669	$ 132,255	$ 7,445,610	$ 278,226	$ (1,049,515)	$ 6,809,576