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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended: **September 30, 2021**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **000-54693**

**LEATT CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Nevada**

*(State or other jurisdiction of incorporation or  
organization)*

**20-2819367**

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

**12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road,  
Durbanville, Western Cape, South Africa, 7441**

*(Address of principal executive offices)*

**+(27) 21-557-7257**

*(Registrant's telephone number, including area code)*

*(Former name, former address and former fiscal year, if changed since last report)*

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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

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

The number of shares outstanding of each of the issuer's classes of common stock, as of November 3, 2021 is as follows:

Class of Securities  
**Common Stock, \$0.001 par value**

Shares Outstanding  
**5,471,669**

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LEATT CORPORATION

*Quarterly Report on Form 10-Q*  
*Nine months ended September 30, 2021*

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**PART I**  
**FINANCIAL INFORMATION**

1

**LEATT CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,586,671	\$ 2,967,042
Short-term investments	58,261	58,257
Accounts receivable, net	17,164,890	7,173,829
Inventory, net	14,678,324	9,670,036
Payments in advance	1,757,165	805,098
Income tax refunds receivable	-	2,964
Prepaid expenses and other current assets	4,321,801	2,109,190
Total current assets	<u>40,567,112</u>	<u>22,786,416</u>
Property and equipment, net	3,178,888	3,052,276
Operating lease right-of-use assets, net	1,539,698	285,932
Deferred tax asset, net	78,700	78,700
<b>Other Assets</b>		
Deposits	<u>33,553</u>	<u>33,699</u>
Total Assets	<u>\$ 45,397,951</u>	<u>\$ 26,237,023</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 16,421,446	\$ 8,008,925
Operating lease liabilities, current	399,314	207,824
Income taxes payable	2,925,216	1,654,200
Short term loan, net of finance charges	142,653	677,601
Total current liabilities	<u>19,888,629</u>	<u>10,548,550</u>
Deferred compensation	300,000	240,000
Operating lease liabilities, net of current portion	1,140,384	78,108
<b>Commitments and contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock, \$.001 par value, 1,120,000 shares authorized, 120,000 shares issued and outstanding	3,000	3,000
Common stock, \$.001 par value, 28,000,000 shares authorized, 5,471,669 and 5,430,374 shares issued and outstanding	130,111	130,111
Additional paid - in capital	8,393,178	8,338,158
Accumulated other comprehensive loss	(676,444)	(562,700)
Retained earnings	16,219,093	7,461,796
Total stockholders' equity	<u>24,068,938</u>	<u>15,370,365</u>
Total Liabilities and Stockholders' Equity	<u>\$ 45,397,951</u>	<u>\$ 26,237,023</u>

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

**LEATT CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	\$ 22,100,827	\$ 11,370,946	\$ 49,297,861	\$ 25,855,950
Cost of Revenues	<u>12,571,692</u>	<u>6,422,472</u>	<u>27,523,233</u>	<u>14,129,516</u>
Gross Profit	<u>9,529,135</u>	<u>4,948,474</u>	<u>21,774,628</u>	<u>11,726,434</u>
Product Royalty Income	58,246	36,016	141,535	40,675
Operating Expenses				
Salaries and wages	975,676	784,131	2,813,024	2,251,583
Commissions and consulting expenses	144,837	157,672	581,485	345,014
Professional fees	510,713	181,233	971,969	716,138
Advertising and marketing	633,915	543,020	1,669,648	1,524,251
Office lease and expenses	99,314	78,932	273,887	225,132
Research and development costs	468,922	404,723	1,319,183	1,129,535
Bad debt expense	42,197	32,172	56,290	59,092
General and administrative expenses	691,696	459,993	1,830,055	1,390,236
Depreciation	<u>265,777</u>	<u>212,564</u>	<u>744,713</u>	<u>595,365</u>
Total operating expenses	<u>3,833,047</u>	<u>2,854,440</u>	<u>10,260,254</u>	<u>8,236,346</u>
Income from Operations	<u>5,754,334</u>	<u>2,130,050</u>	<u>11,655,909</u>	<u>3,530,763</u>
Other Income				
Interest and other income	<u>1,413</u>	<u>19,727</u>	<u>1,354</u>	<u>1,621</u>
Total other income	<u>1,413</u>	<u>19,727</u>	<u>1,354</u>	<u>1,621</u>
Income Before Income Taxes	5,755,747	2,149,777	11,657,263	3,532,384
Income Taxes	<u>1,467,936</u>	<u>538,320</u>	<u>2,899,966</u>	<u>883,972</u>
Net Income Available to Common Shareholders	<u>\$ 4,287,811</u>	<u>\$ 1,611,457</u>	<u>\$ 8,757,297</u>	<u>\$ 2,648,412</u>
Net Income per Common Share				
Basic	<u>\$ 0.79</u>	<u>\$ 0.30</u>	<u>\$ 1.61</u>	<u>\$ 0.49</u>
Diluted	<u>\$ 0.69</u>	<u>\$ 0.27</u>	<u>\$ 1.42</u>	<u>\$ 0.45</u>
Weighted Average Number of Common Shares Outstanding				
Basic	<u>5,461,933</u>	<u>5,386,723</u>	<u>5,443,780</u>	<u>5,386,723</u>
Diluted	<u>6,190,748</u>	<u>5,860,428</u>	<u>6,172,596</u>	<u>5,860,428</u>
Comprehensive Income				
Net Income	\$ 4,287,811	\$ 1,611,457	\$ 8,757,297	\$ 2,648,412
Other comprehensive income, net of \$0 income taxes in 2021 and 2020				
Foreign currency translation	<u>(146,285)</u>	<u>17,584</u>	<u>(113,744)</u>	<u>(239,806)</u>
Total Comprehensive Income	<u>\$ 4,141,526</u>	<u>\$ 1,629,041</u>	<u>\$ 8,643,553</u>	<u>\$ 2,408,606</u>

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

**LEATT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

	Preferred Stock A		Common Stock		Additional Paid - In Capital	Accumulated Other Comprehensive Loss	Retained Earnings
	Shares	Amount	Shares	Amount			
Balance, January 1, 2021	120,000	\$ 3,000	5,430,374	\$ 130,111	\$ 8,338,158	(\$ 562,700)	\$ 7,461,796
Compensation cost recognized in connection with stock options	-	-	-	-	55,020	-	-
Options exercised on a cashless basis	-	-	41,295	-	-	-	-
Net income	-	-	-	-	-	-	8,757,297
Foreign currency translation adjustment	-	-	-	-	-	(113,744)	-
Balance, September 30, 2021	120,000	\$ 3,000	5,471,669	\$ 130,111	\$ 8,393,178	(\$ 676,444)	\$ 16,219,093

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

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**LEATT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
Cash flows from operating activities		
Net income	\$ 8,757,297	\$ 2,648,412
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	744,713	595,365
Stock-based compensation	55,020	65,942
Bad debts reserve	32,423	47,639
Inventory reserve	51,840	(9,002)
(Gain) Loss on sale of property and equipment	5,767	(25,046)
(Increase) decrease in:		
Accounts receivable	(10,023,484)	(2,712,168)
Inventory	(5,060,128)	1,792,014
Payments in advance	(952,067)	(457,097)
Prepaid expenses and other current assets	(2,212,611)	(719,419)
Income tax refunds receivable	2,964	-
Deposits	146	(5,949)
Increase (decrease) in:		
Accounts payable and accrued expenses	8,412,521	582,176
Income taxes payable	1,271,016	266,948
Deferred compensation	60,000	60,000
Net cash provided by operating activities	<u>1,145,417</u>	<u>2,129,815</u>
Cash flows from investing activities		
Capital expenditures	(892,658)	(697,625)
Proceeds from sale of property and equipment	-	25,745
Increase in short-term investments, net	(4)	(16)
Net cash used in investing activities	<u>(892,662)</u>	<u>(671,896)</u>
Cash flows from financing activities		
Repayment of note payable to bank, net	-	(200,000)

Proceeds from Paycheck Protection Program loan	-	210,732
Repayments of short-term loan, net	(534,948)	(504,577)
Net cash used in financing activities	<u>(534,948)</u>	<u>(493,845)</u>
Effect of exchange rates on cash and cash equivalents	<u>(98,178)</u>	<u>(168,277)</u>
Net increase (decrease) in cash and cash equivalents	(380,371)	795,797
Cash and cash equivalents - beginning of period	<u>2,967,042</u>	<u>2,072,864</u>
Cash and cash equivalents - end of period	<u>\$ 2,586,671</u>	<u>\$ 2,868,661</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 21,741</u>	<u>\$ 26,446</u>
Cash paid for income taxes	<u>\$ 1,659,698</u>	<u>\$ 616,148</u>
Other noncash investing and financing activities		
Common stock issued for services	<u>\$ 55,020</u>	<u>\$ 65,942</u>

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

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**LEATT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1 - Basis of presentation**

The consolidated balance sheet as of December 31, 2020 was audited and appears in the Form 10-K filed by the Company with the Securities and Exchange Commission on March 24, 2021. The consolidated balance sheet as of September 30, 2021 and the consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2021 and 2020, changes in stockholders' equity for the nine months ended September 30, 2021, cash flows for the nine months ended September 30, 2021 and 2020, 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 cash flows in conformity with generally accepted accounting principles as of September 30, 2021 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. While management of the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2020 as filed with the Securities and Exchange Commission in the Company's Form 10-K.

**Note 2 - Inventory**

Inventory is stated at the lower of cost or net realizable value. 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. The reserve for obsolescence was \$168,431 at September 30, 2021 and \$116,591 at December 31, 2020.

**Note 3 - Operating Leases - Right-of-Use Assets and Lease Liability Obligations**

The Company has five non-cancellable operating leases, four for office and warehousing space and one for office machinery, that expire in March 2022, April 2022, June 2022, and January 2027. Rent expense for these operating leases is recognized over the term of the lease on a straight-line basis.

Below is a summary of the Company's Operating Right-of-Use Assets and Operating Lease liabilities as of September 30, 2021 and December 31, 2020:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<i>Assets</i>		
Operating lease ROU assets	<u>\$ 1,539,698</u>	<u>\$ 285,932</u>
<i>Liabilities</i>		
Operating lease liabilities, current	\$ 399,314	\$ 207,824

Operating lease liabilities, net of current portion	1,140,384	78,108
Total operating lease liabilities	<u>\$ 1,539,698</u>	<u>\$ 285,932</u>

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During the nine months ended September 30, 2021 and 2020 the Company recognized \$164,097 and \$150,110 respectively, in operating lease expenses, which are included in office lease and expenses in the Company's consolidated statements of operations and comprehensive income.

Generally, the Company's lease agreements do not specify an implicit rate. Therefore, the Company estimates the incremental borrowing rate, which is defined as the interest rate the Company would pay to borrow on a collateralized basis, considering such factors as length of lease term and the risks of the economic environment in which the leased asset operates. As of September 30, 2021, and December 31, 2020 the following disclosures for remaining lease term and incremental borrowing rates were applicable:

<b>Supplemental disclosure</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Weighted average remaining lease term	5 years	2 years
Weighted average discount rate	4.08%	4.87%

Maturities of lease liabilities as of September 30, 2021 were as follows:

<b>Year ended December 31,</b>	<b>Amounts under Operating Leases</b>
Remaining 2021	126,161
2022	356,777
2023	273,449
2024	281,664
2025	290,098
2026	298,792
2027	25,455
Total minimum lease payments	<u>\$ 1,652,396</u>
Less: amount representing interest	<u>\$ (112,698)</u>
Total operating lease liabilities	<u>\$ 1,539,698</u>

Supplemental cash flow information for the nine months ended September 30, 2021 and 2020 are as follows:

	<b>Nine Months Ended September 30, 2021</b>	<b>Nine Months Ended September 30, 2020</b>
Cash paid for amounts included in the measurement of lease liabilities	\$ 179,129	\$ 165,228
Right-of-use assets obtained in exchange for lease obligations	\$ 1,418,719	\$ -

#### Note 4 - Note Payable to Bank

On November 19, 2018, the Company entered into a \$1,000,000 revolving line of credit agreement with a bank. Advances under the line of credit bear interest at the LIBOR Daily Floating Rate plus 2.5 percentage points commencing January 1, 2019. The line of credit matured on November 19, 2020, at which time the unpaid principal, interest, or other charges outstanding under the agreement were due and payable. On November 5, 2020, the Company executed an amendment to the line of credit agreement to extend the credit facility through November 19, 2021. The amendment took retroactive effect to October 27, 2020 and introduced an index floor so that payments for any future advances will bear interest at the greater of the LIBOR Daily Floating Rate or an Index Floor of 1.25 percentage points plus 2.5 percentage points. Obligations under the line of credit are secured by equipment and fixtures in the United States of America, accounts receivable and inventory of Leatt Corporation and Two-Eleven Distribution, LLC. On March 1, 2021, the Company executed an amendment to the line of credit. The amendment took retroactive effect to February 17, 2021 and extended the line of credit facility through February 28, 2022 and increased the revolving line of credit to \$1,500,000. As of September 30, 2021, there were no advances of the line of credit leaving \$1,500,000 of the line of credit available for advance.

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#### **Note 5 - Short-term Loan**

The Company carries product liability insurance policies with a U.S. and South African-based insurance carrier. The Company finances payment of both of its product liability insurance premiums over the period of coverage which is generally twelve months. The U.S. short-term loan is payable in monthly installments of \$84,192 over eleven months including interest at 4.950% and the South African short-term loan is payable in monthly installments of \$4,229, over a ten-month period at a flat interest rate of 3.10%. The Company repaid the U.S. short-term loan in full on September 3, 2021.

The Company carries various short-term insurance policies in the U.S. The Company finances payment of its short-term insurance premiums over the period of coverage, which is generally twelve months. The short-term loan is payable in twelve payments of \$20,290 at 4.350% annual interest rate.

#### **Note 6 - Revenue and Cost Recognition**

The Company's products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area or where consumers choose to purchase directly via the Company's e-commerce website (collectively the "customers").

Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect where no exchange of product is possible. Revenues are recognized when our performance obligations are satisfied as evidenced by transfer of control of promised goods to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Product royalty income, representing less than 1% of total revenues, is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

Our standard distributor payment terms range from pre-payment in full to 60 days after shipment and subsequent sales of our products by distributors have no effect on the amount and timing of payments due to us, however, in limited instances qualified distributors and dealers may be granted extended payment terms during selected order periods. In performing such evaluations, we utilize historical experience, sales performance, and credit risk requirements. Furthermore, products purchased by distributors may not be returned to us in the event that any such distributor relationship is terminated.

Since the Company (through its wholly-owned subsidiary) serves as the distributor of Leatt products in the United States, 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 dealer or to the ultimate consumer when there is no dealer in the geographic area or the consumer chooses to purchase directly from the Company's e-commerce website and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer. The Company's standard terms and conditions of sale for non-consumer direct or web-based sales do not allow for product returns other than under warranty.

International sales (other than in the United States and South Africa) are generally drop-shipped directly from the third-party manufacturer to the international distributors. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point, Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned and exchanged due to product quality issues. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in material product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products. Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

In the following table, revenue is disaggregated by the source of revenue:



	Nine months ended September 30,			
	2021	% of Revenues	2020	% of Revenues
Consumer and athlete direct revenues	\$ 1,519,454	3%	\$ 1,851,441	7%
Dealer direct revenues	14,401,624	29%	8,558,106	33%
International distributor revenues	33,376,783	68%	15,446,403	60%
	\$ 49,297,861	100%	\$ 25,855,950	100%

The Company reviews the reserves for customer returns at each reporting period and adjusts them to reflect data available at that time. To estimate reserves for returns, the Company estimates the expected returns and claims based on historical rates as well as events and circumstances that indicate changes to historical rates of product returns and claims. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. The provision for estimated returns at September 30, 2021 and December 31, 2020 was \$0, and \$0, respectively.

Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. The Company continuously monitors collections and payments from customers and maintains an allowance for doubtful accounts receivable based upon historical experience and any specific customer collection issues that have been identified. The allowance of doubtful accounts was \$134,308 at September 30, 2021 and \$101,885 at December 31, 2020.

Sales commissions are expensed when incurred, which is generally at the time of sale, because the amortization period would have been one year or less. These costs are recorded in commissions and consulting expenses within operating expense in the accompanying consolidated statements of operations and comprehensive income.

Shipping and handling activities associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a fulfillment cost and are included in revenues and cost of revenues in the accompanying consolidated statements of operations and comprehensive income.

Revenue recognized from contracts with customers is recorded net of sales taxes, value added taxes, or similar taxes that are collected on behalf of local taxing authorities.

#### **Note 7 - 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 included 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 an examination by tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the standard provides guidance on derecognition, classification, interest and penalties; accounting in 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 September 30, 2021, the Company has no unrecognized tax benefits.

#### **Note 8 - Net Income Per Share of Common Stock**

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common stock shares and dilutive potential common shares outstanding during the period. For the nine months ended September 30, 2021, the Company had 800,035 potential common shares, consisting of 120,000 preferred shares, and options to purchase 680,035 shares, outstanding that were dilutive.

## **Note 9 - Common Stock**

In August 2021, the company issued 28,895 shares of common stock to employees who exercised stock options in a cashless exercise. In May 2021, the Company issued 12,400 shares of common stock to an employee who exercised stock options in a cashless exercise.

Stock-based compensation expense related to vested stock options during the nine months ended September 30, 2021 was \$55,020. As of September 30, 2021, there was \$82,530 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a 1-year vesting period.

## **Note 10 - Recent Accounting Pronouncements**

**Recently Adopted Accounting Pronouncements** - In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, Income Taxes (Topic 740): "Simplifying the Accounting for Income Taxes", which is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by clarifying and amending existing guidance to improve consistent application. This standard is effective in fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted the new standard effective January 1, 2021, and it did not have a material impact on the Company's consolidated financial statements.

**Accounting Pronouncements Not Yet Adopted** - In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued, subject to meeting certain criteria. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848), which adds implementation guidance to ASU 2020-04 to clarify certain optional expedients in Topic 848. The guidance in ASU 2020-04 and ASU 2021-01 was effective upon issuance and may generally be applied prospectively through December 31, 2022. The Company is evaluating the impact that adoption of this standard would have on the Company's consolidated financial statements.

## **Note 11 - Litigation**

In the ordinary course of business, the Company is involved in various legal proceedings involving product liability and personal injury and intellectual property litigation. The Company is insured against loss for certain of these matters. The Company will record contingent liabilities resulting from asserted and unasserted claims against it when it is probable that the liability has been incurred and the amount of the loss is reasonably estimable. The Company will disclose contingent liabilities when there is a reasonable possibility that the ultimate loss will exceed the recorded liability. While the outcome of currently pending litigation is not yet determinable, the ultimate exposure with respect to these matters cannot be ascertained. However, based on the information currently available to the Company, the Company does not expect that any liabilities or costs that might be incurred to resolve these matters will have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

## **Note 12 - Risks and Uncertainties**

As the COVID-19 pandemic continues to evolve, the Company believes the extent of the impact to its operations will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic. Due to strong consumer demand for outdoor product categories, the Company did not see any significant material negative impact of COVID-19 on the Company's results of operations for the nine months ended September 30, 2021. The Company remains cautiously optimistic that ongoing efforts to increase the availability of new COVID-19 vaccines worldwide will mitigate the spread of the virus throughout Europe and the U.S. (our largest markets) and bring about an end to global quarantines. The continued mutation and spread of the virus, economic headwinds caused by global quarantines or the occurrence of any other catastrophic events, could have a negative impact on sales revenue for the coming periods and beyond.

## **Note 13 - Subsequent Events**

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

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The Company entered into a Premium Finance Agreement with AFCO Acceptance Corporation "AFCO" dated October 29, 2021, to finance its U.S short-term insurance over the period of coverage. The Company is obligated to pay AFCO an aggregate sum of \$1,122,858 in eleven payments of \$102,078, at an annual interest rate of 4.650% commencing on November 1, 2021 and ending on September 1, 2022. Any late payment during the term of the agreement will be assessed by late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement.

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

### **Special Note Regarding Forward Looking Statements**

This report contains forward-looking statements that are contained principally in the sections entitled "Our Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" in our latest annual report on Form 10-K filed with the SEC. In some cases, you can

identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would" and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding growth in the motor sports market;
- our expectation regarding increasing demand for protective equipment used in the motor sports market;
- our belief that we will be able to effectively compete with our competitors and increase our market share;
- our expectations with respect to increased revenue growth and our ability to achieve profitability resulting from increases in our production volumes; and
- our future business development, results of operations and financial condition.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this quarterly report. You should read this quarterly report and the documents that we reference and filed as exhibits to the quarterly report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

### **Use of Certain Defined Terms**

Except as otherwise indicated by the context, references in this report to:

- "Leatt," "we," "us," "our," the "Registrant" or the "Company" are to the combined business of Leatt Corporation, a Nevada corporation, its South African branch, Leatt SA, and its direct, wholly-owned subsidiaries, Two Eleven and Three Eleven;
- "Leatt SA" are to the Company's branch office known as 'Leatt Corporation (Incorporated in the State of Nevada)' incorporated under the laws of South Africa with registration number: 2007/032780/10;
- "Leatt USA" are to Leatt USA, LLC, a Nevada Limited Liability Company;
- "PRC", and "China" are to the People's Republic of China;
- "Two Eleven" refers to Two Eleven Distribution, LLC, a Nevada Limited Liability Company;
- "Three Eleven" are to Three Eleven Distribution (Pty) Limited, a dormant South African Company that was deregistered on October 11, 2021;
- "Securities Act" are to the Securities Act of 1933, as amended, and to "Exchange Act" are to Securities Exchange Act of 1934, as amended;
- "South Africa" are to the Republic of South Africa;
- "U.S. dollar," "\$" and "US\$" are to the legal currency of the United States;
- "Xceed Holdings" refers to Xceed Holdings CC., a close corporation incorporated under the laws of South Africa, and wholly-owned by The Leatt Family Trust, of which Dr. Christopher J. Leatt, the Company's chairman, is a Trustee and Beneficiary; and
- "ZAR" refers to the South African Rand, the legal currency of South Africa. For all ZAR amounts reported, the dollar amount has been calculated on the basis that \$1 = ZAR15.118, for its September 30, 2021 balance sheet.

## Overview of our Business

We were incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. We were a shell company with little or no operations until March 1, 2006, when we acquired the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company controlled by the Company's Chairman and founder, Dr. Christopher Leatt. On May 25, 2005, we changed our name to Leatt Corporation in connection with our anticipated acquisition of the Leatt-Brace® rights. Leatt designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs. The Company sells its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by other international brands.

The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment using this technology, as well as its own developed technology, including the Company's new body protection products which it markets under the Leatt Protection Range brand.

The Company's research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 3 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063. For the UK market our motorcycle helmets comply with ACU Gold and our GPX 3.5 helmet with JIS T 8133 for the Japanese Market. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model, Moto 7.5, to the CCC standard in China and the NBR 7471 standard in Brazil.

Our products are predominately manufactured in China under outsource manufacturing arrangements with third-party manufacturers located there subject to agreed standard terms. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products sold to our international customers are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 55 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to dealers in the United States and South Africa, respectively.

## Principal Factors Affecting Our Financial Performance

We believe that the following factors will continue to affect our financial performance:

- **Global Economic Fragility** - The ongoing turmoil in the global economy, especially in the U.S., Asia and Europe, may have an impact on our business and our financial condition, and we may face challenges if economic conditions do not improve. These economic conditions may impact levels of consumer spending in the foreseeable future. If demand for our products fluctuates as a result of these economic conditions or otherwise, our revenue and gross margin could be harmed.
- **Trade Restrictions** - We engage in international manufacturing and sales which exposes us to trade restrictions and disruptions that could harm our business and competitive position. Most of our products are manufactured in China, and the U.S. administration has announced tariffs on certain product imported into the United States with China as the country of origin. While these tariffs have not had a significant impact on the shipment of our products to international markets as at September 30, 2021, we believe that the future imposition of, or significant increases in, the level of tariffs, custom duties, export quotas and other barriers and restrictions by the U.S. on China or other countries could disrupt our supply chain, increase the cost of our raw materials and therefore our pricing, and impose the burdens of compliance with foreign trade laws, any of which could potentially affect our bottom line and sales. While we are in continuous discussions with our manufacturers to ensure there are contingencies in place, we cannot assure you that we will not be adversely affected by changes in the trade laws of foreign jurisdictions where we sell and seek to sell our products.

- **Fuel Prices** - Significant fluctuations in fuel prices could have both a positive and negative effect on our business and operations. A significant portion of our revenue is derived from international sales and significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers. On the other hand, fluctuations in fuel prices lead to higher commuter costs which may encourage the increased use of motorcycles and bicycles as alternative modes of transportation and lead to an increase in the market for our protection products.
- **Product Liability Litigation** - We face an inherent business risk of exposure to product liability claims arising from the claimed failure of our products to help prevent the types of personal injury or death against which they are designed to help protect. Therefore, we have acquired very costly product liability insurance worldwide. We have not experienced any material uninsured losses due to product liability claims, but it is possible that we could experience material losses in the future. After a two-week trial in the United States District Court for the Northern District of Ohio (Eastern) ending on April 17, 2014, a federal jury returned a defense verdict for the Company in the first Leatt- Brace® product liability lawsuit to be tried in the United States. The plaintiffs in that case had alleged that defective product design and failure to warn had caused a motocross rider to suffer multiple mid-thoracic spine fractures, causing immediate and permanent paraplegia, when he crashed at a relatively low speed on February 13, 2011. When the accident occurred, he was wearing a helmet and other safety gear from several different companies, including the Company's acclaimed Leatt-Brace®. The Company produced evidence at trial showing that his thoracic paraplegia was an unavoidable consequence of his fall, not the result of wearing a Leatt- Brace®, and that the neck brace likely saved his life (or saved him from quadriplegia) by preventing cervical spine injury. The Company had maintained from the onset that this and a small handful of other lawsuits are without merit and that it would vigorously defend itself in each case. In this case, the plaintiffs subsequently appealed the court's decision, and the parties reached an amicable settlement. Although we carry product liability insurance, a successful claim brought against us could significantly harm our business and financial condition and have an adverse impact on our ability to renew our product liability insurance or secure new coverage.
- **Protection of Intellectual Property** - We believe that the continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be. From time to time, we have had to enforce our intellectual property rights through litigation, and we may be required to do so in the future. Such litigation may result in substantial costs and could divert resources and management attention from the operations of our business.
- **Fluctuations in Foreign Currencies** - We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these currencies into U.S. dollars when we consolidate our financial results. While our reporting currency is the U.S. Dollar, a portion of our consolidated revenues are denominated in South African Rand, or ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. If the ZAR depreciates against the U.S. Dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk. Furthermore, since 70% of our sales is derived outside the U.S., where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.
- **Natural or Man-made Catastrophic Events** - We are exposed to natural or man-made catastrophic events that may disrupt our business and may reduce consumer demand for our products. A disruption or failure of our systems or operations in the event of a natural disaster, health pandemic, such as the outbreak and global spread of COVID-19 or the coronavirus, or a man-made catastrophic event could cause delays in completing sales, continuing production or performing other critical functions of our business, particularly if a catastrophic event occurred at our primary manufacturing locations or our distributor locations worldwide. Any of these events could severely affect our ability to conduct normal business operations and, as a result, our operating results could be adversely affected. There may also be secondary impacts that are unforeseeable, such as impacts on our consumers and on consumer purchasing behavior, which could cause delays in new orders, delays in completing sales or even order cancellations. As the COVID-19 pandemic continues to evolve, we believe the extent of the impact to our operations will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic. Due to strong consumer demand for outdoor product categories, we did not see any significant material negative impact of COVID-19 on the Company's results of operations for the quarter ended September 30, 2021. We remain cautiously optimistic that ongoing efforts to increase the availability of new COVID-19 vaccines worldwide will mitigate the spread of the virus throughout Europe and the U.S. (our largest markets) and bring about an end to global quarantines. The continued mutation and spread of the virus, economic headwinds caused by global quarantines, or the occurrence of any other catastrophic events, could have a negative impact on our sales revenue for the coming periods and beyond.

- ***Rising Freight Shipping and Logistics Costs*** - The economic disruption resulting from the COVID-19 pandemic has had an adverse impact on the global freight shipping industry and on the cost of shipping our products to our global network of distributors, dealers and customers, or their import agents, from warehouses in China. Over the past year, the strong rise in demand for Chinese exports has outpaced the availability of containers in Asia, creating a container shortage and huge backlogs in many freight markets around the world, including the U.S., the Middle East, and East Asia. These container shortages at Asian ports have exacerbated supply bottlenecks and further increased shipping costs, by up to 400% in some regions, as companies in Asia are reported to be paying premium rates to get containers back. Further compounding matters is the shortage of dockworkers and truck drivers available to load and unload containers at ports in Europe and the U.S. and to move them to other locations, resulting in congested ports. We are working closely with our supply chain management in Asia, our logistics service providers, and our freight forwarders, to streamline our global shipping and logistics processes, to mitigate any disruption to our operations. Continued disruption and pricing volatility in the global shipping and logistics industry could have a negative impact on our results of operations for the coming periods and beyond.

## **Results of Operations**

The following summary of our results of operations should be read in conjunction with our financial statements and the notes thereto for the three- and nine-month periods ended September 30, 2021 and 2020 included herein.

### ***Comparison of Three Months Ended September 30, 2021 and 2020***

The following table summarizes the results of our operations during the three-month periods ended September 30, 2021 and 2020 and provides information regarding the dollar and percentage increase or (decrease) in such periods:

Item	Three Months Ended September 30,		\$ Increase (Decrease)	Percentage Increase (Decrease)
	2021	2020		
REVENUES	\$ 22,100,827	\$ 11,370,946	\$ 10,729,881	94%
COST OF REVENUES	12,571,692	6,422,472	\$ 6,149,220	96%
GROSS PROFIT	9,529,135	4,948,474	\$ 4,580,661	93%
PRODUCT ROYALTY INCOME	58,246	36,016	\$ 22,230	62%
OPERATING EXPENSES				
Salaries and Wages	975,676	784,131	\$ 191,545	24%
Commissions and Consulting	144,837	157,672	\$ (12,835)	-8%
Professional Fees	510,713	181,233	\$ 329,480	182%
Advertising and Marketing	633,915	543,020	\$ 90,895	17%
Office Lease and Expenses	99,314	78,932	\$ 20,382	26%
Research and Development Costs	468,922	404,723	\$ 64,199	16%
Bad Debt Expense	42,197	32,172	\$ 10,025	31%
General and Administrative	691,696	459,993	\$ 231,703	50%
Depreciation	265,777	212,564	\$ 53,213	25%
Total Operating Expenses	3,833,047	2,854,440	\$ 978,607	34%
INCOME FROM OPERATIONS	5,754,334	2,130,050	\$ 3,624,284	170%
Other Income	1,413	19,727	\$ (18,314)	-93%
INCOME BEFORE INCOME TAXES	5,755,747	2,149,777	\$ 3,605,970	168%
Income Taxes	1,467,936	538,320	\$ 929,616	173%
NET INCOME	\$ 4,287,811	\$ 1,611,457	\$ 2,676,354	166%

*Revenues* - We earn revenues from the sale of our protective gear comprising of neck braces, body armor, helmets and other products, parts and accessories both in the United States and abroad. Revenues for the three months ended September 30, 2021 were \$22.10 million, a 94% increase, compared to revenues of \$11.37 million, for the quarter ended September 30, 2020. Revenues associated with international customers were \$17.79 million and \$7.11 million, or 81% and 63% of revenues, respectively, for the three months ended September 30, 2021 and 2020. This increase in global revenues is primarily attributable to a \$6.58 million increase in body armor sales, a \$1.52 million increase in neck brace sales, a \$1.51 million increase in the sales of other products, parts and accessories and a \$1.12 million increase in helmet sales.

The following table sets forth our revenues by product line for the three months ended September 30, 2021 and 2020:

	Three months ended September 30			
	2021	% of Revenues	2020	% of Revenues
Neck braces	\$ 2,708,364	12%	\$ 1,185,879	10%
Body armor	12,365,185	56%	5,788,786	51%
Helmets	2,320,111	11%	1,203,038	11%
Other products, parts and accessories	4,707,167	21%	3,193,243	28%
	\$ 22,100,827	100%	\$ 11,370,946	100%

Sales of our flagship neck brace accounted for \$2.71 million and \$1.19 million, or 12% and 10% of our revenues for the quarters ended September 30, 2021 and 2020, respectively. This 128% increase in neck brace sales is primarily attributable to a 181% increase in the volume of neck braces sold to our customers worldwide as demand for our neck braces continues to increase.

Our body armor products are comprised of chest protectors, full upper body protectors, upper body protection vests, back protectors, knee braces, knee and elbow guards, off-road motorcycle boots and mountain biking shoes. Body armor sales accounted for \$12.37 million and \$5.79 million, or 56% and 51% of our revenues for the quarters ended September 30, 2021 and 2020, respectively. The 114% increase in body armor revenues during the 2021 third quarter is primarily the result of a 101% increase in the volume of upper body protectors sold during the period due to continued global demand for our range of body protectors. This demand has resulted in significant restocking orders from our customers around the world, with encouraging sales of our growing footwear category consisting of off-road motorcycle boots and mountain biking shoes continuing to exceed our expectations.

Our helmets accounted for \$2.32 million or 11% of our revenues for the three months ended September 30, 2021, as compared to \$1.20 million or 11% of our revenues for the same 2020 period. The 93% increase in helmet sales during the 2021 third quarter is primarily due to a 149% increase in the volume of helmets sold globally during the 2021 period.

Our other products, parts and accessories are comprised of goggles, hydration bags and apparel items including jerseys, pants, shorts, and jackets as well as aftermarket support items required primarily to replace worn or damaged parts through our global distribution network. Other products, parts and accessories sales accounted for \$4.71 million and \$3.19 million, or 21% and 28% of our revenues for the quarters ended September 30, 2021 and 2020, respectively. The 47% increase in revenues from the sale of other products, parts, and accessories during the 2021 third quarter is primarily due to a 189% increase in the volume of mountain biking apparel sold during the period as consumer demand for our cutting-edge mountain biking gear continues to surge around the world.

*Cost of Revenues and Gross Profit* - Cost of revenues for the quarters ended September 30, 2021 and 2020 were \$12.57 million and \$6.42 million, respectively. Gross Profit for the quarters ended September 30, 2021 and 2020 were \$9.53 million and \$4.95 million, respectively, or 43% and 44% of revenues, respectively. Our neck brace products continue to generate a higher gross margin than our other product categories. Although neck brace revenues accounted for 12% and 10% of our revenues for the quarters ended September 30, 2021 and 2020, respectively, global shipping cost increases contributed to an increase in our cost of sales during the 2021 period.

*Product Royalty Income* - Product royalty income is earned on sales to distributors that have royalty agreements in place, as well as on sales of licensed products by third parties that have licensing agreements in place. Product royalty income for the quarters ended September 30, 2021 and 2020 were \$58,246 and \$36,016, respectively. The 62% increase in product royalty income is due to an increase in the sale of licensed products by licensees in the 2021 period.

*Salaries and Wages* - Salaries and wages for the quarters ended September 30, 2021 and 2020 were \$975,676 and \$784,131, respectively. This 24% increase in salaries and wages during the 2021 period was primarily due to the employment of marketing and sales personnel in North and South America, as the Company continues to build a team of high performing sales and brand management professionals.

*Commissions and Consulting Expense* - During the quarters ended September 30, 2021 and 2020, commissions and consulting expenses were \$144,837 and \$157,672, respectively. This 8% decrease in commissions and consulting expenses is primarily due to a decrease in commissions paid to employees and outside sales personnel in the United States. Container shortages and congestion at major shipping ports globally and particularly in the United States resulted in a temporary delay in the shipment and ultimate receipt of stock available for sale which affected the achievement of sales targets for the third quarter of 2021.

*Professional Fees* - Professional fees consist of costs incurred for audit, tax and regulatory filings, as well as patent protection and product liability litigation and settlement expenses incurred as the Company continues to expand. Professional fees for the quarters ended September 30, 2021 and 2020 were \$510,713 and \$181,233, respectively. This 182% increase in professional fees is primarily due to an increase in product liability litigation settlement costs during the third quarter of 2021.

*Advertising and Marketing* - The Company places paid advertising in various motorsport magazines and online media, and sponsors a number of events, teams and individuals to increase product and brand visibility. Advertising and marketing expenses for the quarters ended September 30, 2021 and 2020 were \$633,915 and \$543,020, respectively. The 17% increase in advertising and marketing expenditures during the 2021 period is primarily due to an increase in global coordinated marketing activities undertaken by our distribution partners. The Company successfully partnered with its global distribution partners in a cost sharing initiative in order to create global, synchronized brand building and product launch campaigns during the 2021 period.



*Office Lease and Expenses* - Office lease and expenses for the quarters ended September 30, 2021 and 2020 were \$99,314 and \$78,932, respectively. This 26% increase in office lease and expenses during the 2021 period was primarily due to an increase in warehouse lease expenditure in the United States in line with additional storage required as the company continues to expand its assortment of exceptional protective gear.

*Research and Development Costs* - These costs consist of the salaries of personnel who are directly involved in the research and development of innovative products, as well as the direct costs associated with developing these products. Research and development costs for the quarter ended September 30, 2021 increased to \$468,922, from \$404,723, during the same 2020 quarter. The 16% increase during the 2021 third quarter is primarily as a result of the employment of product design, development and engineering professionals with specific industry competence in order to continue the development of a refined and expanded pipeline of exceptional cutting-edge products.

*Bad Debt Expense* - Bad debt expense for the quarters ended September 30, 2021 and 2020 were \$42,197 and \$32,172, respectively. The 31% increase in bad debt expense is primarily the result of an increase in the provision for doubtful accounts during the 2021 period, in line with an increase in accounts receivable balances at Two Eleven Distribution in the United States at September 30, 2021 when compared to June 30, 2021.

*General and Administrative Expenses* - General and administrative expenses consist of insurance, travel, merchant fees, telephone, office and computer supplies. General and administrative expenses for the quarters ended September 30, 2021 and 2020 were \$691,696 and \$459,993, respectively. The 50% increase in general and administrative expenses is primarily due to an increase in product liability insurance premiums incurred during the third quarter of 2021 as a result of exceptional sales growth achieved in the United States for the 12 months ended September 30, 2021.

*Depreciation Expense* - Depreciation expense for the quarters ended September 30, 2021 and 2020 were \$265,777 and \$212,564, respectively. This 25% increase in depreciation during the 2021 third quarter is primarily due to the addition of molds and tooling utilized in the production of the Company's rapidly expanding product offering

*Total Operating Expenses* - Total operating expenses increased by \$978,607 to \$3.83 million in the three months ended September 30, 2021, or 34%, compared to \$2.85 million in the 2020 period. This increase is primarily due to the increase in professional fees, general and administrative costs and salaries and wages discussed above.

*Net income* - The net income after income taxes for the quarter ended September 30, 2021 was \$4.29 million, as opposed to a net income of \$1.61 million for the quarter ended September 30, 2020. This increase in net income is primarily due to the increase in revenues and gross profit discussed above.

#### ***Comparison of Nine Months ended September 30, 2021 and 2020***

The following table summarizes the results of our operations during the nine-month periods ended September 30, 2021 and 2020 and provides information regarding the dollar and percentage increase or (decrease) in such periods:

Item	Nine Months Ended September 30,		\$ Increase (Decrease)	Percentage Increase (Decrease)
	2021	2020		
REVENUES	\$ 49,297,861	\$ 25,855,950	\$ 23,441,911	91%
COST OF REVENUES	27,523,233	14,129,516	\$ 13,393,717	95%
GROSS PROFIT	21,774,628	11,726,434	\$ 10,048,194	86%
PRODUCT ROYALTY INCOME	141,535	40,675	\$ 100,860	248%
OPERATING EXPENSES				
Salaries and Wages	2,813,024	2,251,583	\$ 561,441	25%
Commissions and Consulting	581,485	345,014	\$ 236,471	69%
Professional Fees	971,969	716,138	\$ 255,831	36%
Advertising and Marketing	1,669,648	1,524,251	\$ 145,397	10%
Office Lease and Expenses	273,887	225,132	\$ 48,755	22%
Research and Development Costs	1,319,183	1,129,535	\$ 189,648	17%
Bad Debt Expense	56,290	59,092	\$ (2,802)	-5%
General and Administrative	1,830,055	1,390,236	\$ 439,819	32%
Depreciation	744,713	595,365	\$ 149,348	25%
Total Operating Expenses	10,260,254	8,236,346	\$ 2,023,908	25%
INCOME FROM OPERATIONS	11,655,909	3,530,763	\$ 8,125,146	230%
Other Expenses	1,354	1,621	\$ (267)	16%
INCOME BEFORE INCOME TAXES	11,657,263	3,532,384	\$ 8,124,879	230%
Income Taxes	2,899,966	883,972	\$ 2,015,994	228%
NET INCOME	\$ 8,757,297	\$ 2,648,412	\$ 6,108,885	231%

*Revenues* - We earn revenues from the sale of our protective gear comprising of neck braces, body armor, helmets and other products, parts and accessories both in the United States and internationally. Revenues for the nine-month period ended September 30, 2021 were \$49.30 million, a 91% increase, compared to revenues of \$25.86 million for the period ended September 30, 2020. Revenues generated from sales to our customers in the United States increased from \$9.73 million to \$14.79 million, for the nine months ended September 30, 2021 and 2020, respectively. Revenues associated with international customers were \$34.51 million and \$16.13 million, or 70% and 62% of revenues, respectively, for the nine months ended September 30, 2021 and 2020. This increase in global revenues during the 2021 period is attributable to a \$14.30 million increase in body armor sales, a \$4.12 million increase in sales of other products, parts and accessories, a \$2.64 million increase in neck brace sales and a \$2.41 million increase in helmet sales.

The following table sets forth our revenues by product line for the nine months ended September 30, 2021 and 2020:

	Nine months ended September 30,			
	2021	% of Revenues	2020	% of Revenues
Neck braces	\$ 6,224,054	13%	\$ 3,579,838	14%
Body armor	28,309,938	57%	14,040,660	54%
Helmets	4,886,324	10%	2,475,167	10%
Other products, parts and accessories	9,877,545	20%	5,760,285	22%
	\$ 49,297,861	100%	\$ 25,855,950	100%

Sales of our flagship neck brace accounted for \$6.22 million and \$3.58 million, or 13% and 14% of our revenues for the nine-month periods ended September 30, 2021 and 2020, respectively. The 74% increase in neck brace revenues is primarily attributable to a 67% increase in the volume of neck braces sold to our customers globally as demand for neck braces continues to grow.

Our body armor products are comprised of chest protectors, full upper body protectors, upper body protection vests, back protectors, knee braces, knee and elbow guards, off-road motorcycle boots and mountain biking shoes. Body armor sales accounted for \$28.31 million and \$14.04 million, or 57% and 54% of our revenues for the nine-month period ended September 30, 2021 and 2020, respectively. The 102% increase in body armor revenues was primarily the result of a 75% increase in the volume body armor sold during the period. There is a continued worldwide demand for our line of premium, athlete-tested upper body and limb protectors designed for off-road motorcycle and mountain biking use and continued encouraging shipments of our growing footwear category consisting of off-road motorcycle boots and mountain biking shoes.

Our Helmets accounted for \$4.89 million and \$2.48, or 10% and 10% of our revenues for the nine months ended September 30, 2021 and 2020, respectively. The 97% increase in helmet sales during the 2021 period is primarily due to a 126% increase in the volume of helmets sold globally during the period.

Our other products, parts and accessories are comprised of goggles, hydrations bags and apparel items including jerseys, pants, shorts and jackets as well as aftermarket support items required primarily to replace worn or damaged parts through our global distribution network. Other products, parts and accessories sales accounted for \$9.88 million and \$5.76 million, or 20% and 22% of our revenues for the nine months ended September 30, 2021 and 2020, respectively. The 71% increase in revenues from the sale of other products, parts and accessories is primarily due to a 135% increase in the volume of riding apparel designed for off-road motorcycle and mountain biking use during the 2021 period, as consumers around the world continue to recognize our apparel as a premium, cutting edge offering designed for professional and recreational use.

*Cost of Revenues and Gross Profit* - Cost of revenues for the nine-month periods ended September 30, 2021 and 2020 were \$27.52 million and \$14.13 million, respectively. Gross Profit for the nine-month periods ended September 30, 2021 and 2020 were \$21.77 million and \$11.73 million, respectively, or 44% and 45% of revenues respectively. Our neck brace products continue to generate a higher gross profit margin than other product categories. Neck brace revenues accounted for 13% and 14% of our revenues for the nine-month period ended September 30, 2021 and 2020, respectively, and global shipping and logistic cost increases contributed to an increase in our cost of sales during the 2021 period.

*Product Royalty Income* - Product royalty income is earned on sales to distributors that have royalty agreements in place, as well as on sales of licensed products by third parties that have licensing agreements in place. Product royalty income for the nine-month period ended September 30, 2021 and 2020 were \$141,535 and \$40,675, respectively. The 248% increase in product royalty income is due to an increase in the sale of licensed products by licensees in the 2021 period.

*Salaries and Wages* - Salaries and wages for the nine-month period ended September 30, 2021 and 2020 were \$2,813,024 and \$2,251,583, respectively. This 25% increase in salaries and wages during the 2021 period was primarily due to the employment of additional sales and marketing personnel in North and South America during the 2021 period, and the temporary staff cost reduction measures implemented by the Company during the second quarter of 2020, in an effort to partially mitigate the potential effects of the COVID-19 pandemic.

*Commissions and Consulting Expense* - During the nine-month periods ended September 30, 2021 and 2020, commissions and consulting expenses were \$581,485 and \$345,014, respectively. This 69% increase in commissions and consulting expenses during the 2021 period is primarily due to an increase in commissions and performance incentives paid to both employee and external sales personnel in the United States as a result of the achievement of significant sales growth in the region during the 2021 period.

*Professional Fees* - Professional fees consist of costs incurred for audit, tax and regulatory filings, as well as patent protection and product liability litigation and settlement expenses incurred as the Company continues to expand. Professional fees for the nine-month periods ended September 30, 2021 and 2020 were \$971,969 and \$716,138, respectively. This 36% increase in professional fees is primarily due to an increase in product liability litigation settlement costs during the period.

*Advertising and Marketing* - The Company places paid advertising in various motorsport magazines and online media, and sponsors a number of events, teams and individuals to increase product and brand visibility. Advertising and marketing expenses for the nine-month periods ended September 30, 2021 and 2020 were \$1,669,648 and \$1,524,251, respectively. The 10% increase in advertising and marketing expenditures during the 2021 period is primarily due to an increase in coordinated marketing production and implementation activities undertaken globally. Additionally, the Company successfully partnered with its global distribution partners in a cost sharing initiative to implement synchronized brand building and product launch campaigns for both the off-road motorcycle and mountain biking riding community during the 2021 period.

*Office Lease and Expenses* - Office lease and expenses for the nine-month periods ended September 30, 2021 and 2020 were \$273,887 and \$225,132, respectively. The 22% increase in office lease and expenses during the 2021 period was primarily due to an increase in warehouse lease expenditure incurred in the United States in line with additional storage space required to accommodate the Company's rapidly growing assortment of protective gear.

*Research and Development Costs* - These costs consist of the salaries of personnel who are directly involved in the research and development of innovative products, as well as the direct costs associated with developing these products. Research and development costs for the nine-month periods ended September 30, 2021 and 2020, increased to \$1,319,183, from \$1,129,535, during the same 2020 period. The 17% increase in research and development costs during the 2021 period is due to the employment of product design, development, and engineering professionals in order to continue the Company's refinement and development of a pipeline of exceptional cutting-edge products.

*Bad Debt Expense* - Bad debt expense for the nine-month periods ended September 30, 2021 and 2020 were \$56,290 and \$59,092, respectively. The 5% decrease in bad debt expense during the 2021 period is primarily the result of a decrease in bad debts that were considered to be unrecoverable and written off during the 2021 period.

*General and Administrative Expenses* - General and administrative expenses consist of insurance, travel, merchant fees, telephone, office and computer supplies. General and administrative expenses for the nine-month periods ended September 30, 2021 and 2020 were \$1,830,055 and \$1,390,236, respectively. The 32% increase in general and administrative expenses during the 2021 period is primarily the result of an increase in product liability premiums incurred during the 2021 period in line with the significant increase in revenues in the United States for the 12 months ended September 30, 2021.

*Depreciation Expense* - Depreciation expense for the nine-month periods ended September 30, 2021 and 2020 were \$744,713 and \$595,365, respectively. This 25% increase in depreciation during the 2021 period is primarily due to the addition of molds and tooling utilized in the production of the Company's growing product offering.

*Total Operating Expenses* - Total operating expenses increased by, \$2,023,908 to \$10,260,254 in the nine months ended September 30, 2021, or 25%, compared to \$8,236,346 in the 2020 period. The 25% increase in total operating expenses during the 2021 period is primarily due to the increase in salaries and wages, commissions and consulting costs, general and administrative expenses and professional fees discussed above.

*Net income* - Net income after income taxes for the nine-month period ended September 30, 2021 was \$8.76 million, as opposed to net income after income taxes of \$2.65 million for the nine-month period ended September 30, 2020. This increase in net income during the 2021 period is primarily due to the increase in revenues and gross profit discussed above.

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

At September 30, 2021, we had cash and cash equivalents of \$2.59 million and \$0.58 million of short-term investments. The following table sets forth a summary of our cash flows for the periods indicated:

	September 30	
	2021	2020
Net cash provided by operating activities	\$ 1,145,417	\$ 2,129,815
Net cash used in investing activities	\$ (892,662)	\$ (671,896)
Net cash used in financing activities	\$ (534,948)	\$ (493,845)
Effect of exchange rate changes on cash and cash equivalents	\$ (98,178)	\$ (168,277)
Net (decrease) increase in cash and cash equivalents	\$ (380,371)	\$ 795,797
Cash and cash equivalents at the beginning of period	\$ 2,967,042	\$ 2,072,864
Cash and cash equivalents at the end of period	\$ 2,586,671	\$ 2,868,661

Cash decreased by \$380,371, or 13%, for the nine months ended September 30, 2021, when compared to cash on hand at December 31, 2020. The primary sources of cash for the nine months ended September 30, 2021 were net income of \$8,757,297, an increase in accounts payable of \$8,412,521 and an increase in income taxes payable of \$1,271,016. The primary uses of cash for the nine months ended September 30, 2021 were an increase in accounts receivable of \$10,023,484, an increase in inventory of \$5,060,128, an increase in prepaid expenses and other current assets of \$2,212,611 and an increase in payments in advance of \$952,067.

The Company is currently meeting its working capital needs through cash on hand as well as internally generated cash from operations. Management believes that its current cash and cash equivalent balances, along with the net cash generated by operations are sufficient to meet its anticipated operating cash requirements for at least the next twelve months. There are currently no plans for any major capital expenditures in the next twelve months. Our long-term financing requirements depend on our growth strategy, which relates primarily to our desire to increase revenue both in the U.S. and abroad.

### **Obligations under Material Contracts**

Pursuant to our Licensing Agreement with Xceed Holdings, a company controlled by Dr. Christopher Leatt, our founder, chairman and head of research and development, we pay Xceed Holdings 4% of all neck brace sales revenue billed and received by the Company on a quarterly basis based on sales of the previous quarter. During the quarters ended September 30, 2021 and 2020, the Company paid an aggregate of \$58,085 and \$42,451, in licensing fees to Xceed Holdings. In addition, pursuant to a separate license agreement between the Company and Mr. J. P. De Villiers, our former director, the Company is obligated to pay a royalty fee of 1% of all our billed and received neck brace sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. During the quarters ended September 30, 2021 and 2020, the Company paid an aggregate of \$14,515 and \$10,613, in licensing fees to Mr. De Villiers.

From May 15, 2015 through October 31, 2021, the Company was party to a consulting agreement, dated July 8, 2015, between the Company and Innovate Services Limited, or Innovate, a Seychelles limited company in which Dr. Leatt is an indirect beneficiary, pursuant to which, as amended, Innovate served as the Company's exclusive research, development and marketing consultant. in exchange for a monthly fee of \$42,233; provided that Dr. Leatt personally performs the services to be performed by Innovate under the agreement. Either party had the right to terminate the agreement for convenience, upon six months' prior written notice, or by the Company immediately without notice in the event of Innovate's breach of an obligation under the contract or if Dr. Leatt could no longer perform the services. During the quarters ended September 30, 2021 and 2020, the Company recognized an aggregate of \$126,699 and \$124,338, respectively, in consulting fees to Innovate. On November 8, 2021, the Company terminated the agreement with Innovate, effective October 31, 2021, in connection with the wind-up of Innovate's business operations. The termination of the agreement with Innovate will not have an adverse effect on the Company's research and development operations as the Company simultaneously entered into a new consulting agreement with Innovation Services Limited, Jersey limited company beneficially owned by Dr. Leatt, for the same research, development and marketing services, and on substantially the same terms and conditions as the terminated agreement.

On November 8, 2021, the Company entered into a consulting agreement with Innovation Services Limited, a Jersey limited company in which, Dr. Christopher Leatt, the Company's founder and chairman, is an indirect beneficiary. Pursuant to the terms of the agreement, Innovation has agreed to serve as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of \$42,233; provided, however, that Dr. Leatt must remain an Innovation director and beneficiary of a majority of its ownership interests during the term of the agreement, and Dr. Leatt must remain the Company's primary point of contact responsible for the oversight, review and delivery of the services to be performed by Innovation under the agreement. Innovation may increase its monthly fees, on an annual basis, by no greater than the lesser of: (a) two and one-half percent (2.5%) of the prior year's annualized fee; or (b) a percentage equal to then-applicable annual percentage increase in the Consumer Price Index (CPI) published by the United States Department of Labor's bureau of labor statistics, plus one-half percent (0.5%). The parties further agreed that all intellectual property generated in connection with the services provided under the consulting agreement will be the sole property of the Company. The consulting agreement was effective as of November 1, 2021, and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the consulting agreement upon 6 months' prior written notice, except that the consulting agreement may be terminated by the Company immediately without notice if the services to be performed by Innovation cease to be performed by Dr. Leatt, if beneficial ownership in Innovation by Dr. Leatt's and his immediate family members decreases, or for any other material breach of the agreement. The parties have agreed to settle any dispute under the consulting agreement by submission to JAMS for final and binding arbitration pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules. The Company also simultaneously entered into a side letter agreement, dated November 8, 2021, with Dr. Leatt, pursuant to which Dr. Leatt agreed, among other things: (1) not to perform services similar to the services provided under the agreement for any current or future, direct or indirect competitor of the Company or any similar company; (2) not to solicit any current or future employees of the Company for employment with Innovation or any other entity with which he may become affiliated, or to contact or solicit any current or future stockholder or investor of the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company; and (3) that he will apprise the Company of any business opportunity that he becomes aware of that could benefit the Company so that the Company, can in its sole discretion, make a determination regarding whether to pursue such opportunity in the best interest of the Company and its stockholders. Dr. Leatt further agreed to continue dedicating a majority of his time on matters related to performance of his duties as a director of the Company and to the fulfillment of his obligations to the Company's research and development efforts under the consulting agreement, and the Company will have the right to adjust the amount of the fees payable under the consulting agreement to the extent of any substantial diminution in his fulfillment of such duties and obligations. The foregoing description of the Consulting Agreement and Side Letter Agreement is qualified in its entirety by reference to the Consulting Agreement and the Side Letter Agreement, copies of which are filed as Exhibits 10.1 and 10.2, respectively, hereto and are incorporated by reference in this report.

Pursuant to a Premium Finance Agreement, dated June 14, 2021, between the Company and AFCO Acceptance Corporation "AFCO", the Company is obligated to pay AFCO an aggregate sum of \$238,696 in twelve payments of \$20,290, at a 4.350% annual interest rate, commencing on June 1, 2021 and ending on April 1, 2022. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement. As of September 30, 2021, the Company had not defaulted on its payment obligations under this agreement.

The Company entered into a Premium Finance Agreement with AFCO, dated October 27, 2020, to finance its U.S short-term insurance over the period of coverage. The Company is obligated to pay AFCO an aggregate sum of \$926,110 in eleven payments of \$84,192, at an annual interest rate of 4.950% commencing on November 1, 2020 and ending on September 1, 2021. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement. This agreement was paid in full on September 3, 2021.

The Company entered into a Premium Finance Agreement with AFCO, dated October 29, 2021, to finance its U.S short-term insurance over the period of coverage. The Company is obligated to pay AFCO an aggregate sum of \$1,122,858 in eleven payments of \$102,078, at an annual interest rate of 4.650% commencing on November 1, 2021 and ending on September 1, 2021. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement.

On November 19, 2018, the Company entered into a \$1,000,000 revolving line of credit agreement with a bank. Payments for the advances under the line bear interest at the LIBOR Daily Floating Rate plus 2.5 percentage points commencing January 1, 2019. The line of credit matured on November 19, 2020, at which time the unpaid principal, interest, or other charges outstanding under the agreement are due and payable. On November 5, 2020, the Company executed an amendment to the line of credit to extend the line of credit facility through November 19, 2021. The amendment took retroactive effect to October 27, 2020 and introduced an index floor so that payments for any future advances will bear interest at the greater of the LIBOR Daily Floating Rate or an Index Floor of 1.25 percentage points plus 2.5 percentage points. Obligations under the line of credit are secured by equipment and fixtures in the United States of America, accounts receivable and inventory of Leatt Corporation and Two-Eleven Distribution, LLC. On March 1, 2021, we executed a second amendment to the line of credit. The amendment took retroactive effect to February 17, 2021, extended the line of credit facility through February 28, 2022, and increased the revolving line of credit to \$1,500,000. As of September 30, 2021, there were no advances of the line of credit leaving \$1,500,000 of the line of credit available for advance.

#### **Critical Accounting Policies**

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. We have identified the following as the items that require the most significant judgment and often involve complex estimation: revenue recognition, estimating allowances for doubtful accounts receivable, inventory valuation, impairment of long-lived assets, leases and accounting for income taxes.

**Revenue and Cost Recognition** - The Company recognizes revenue in accordance with ASC 606 "Revenues from Contracts with Customers". As such the Company has and will continue to review its performance obligations in terms of material customer contractual arrangements in order to verify that revenue is recognized when performance obligations are satisfied on a periodic basis.

All manufacturing of Leatt products is performed by third party subcontractors that are predominately based in China. The Company's products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area or where consumers choose to purchase directly via the Company's e-commerce website (collectively the "customers").

Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect where no exchange of product is possible. Revenues are recognized when our performance obligations are satisfied as evidenced by transfer of control of promised goods to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Product royalty income, representing less than 1% of total revenues, is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

Our distributor payment terms range from pre-payment in full to 60 days after shipment and subsequent sales of our products by distributors have no effect on the amount and timing of payments due to us. Furthermore, products purchased by distributors may not be returned to us in the event that any such distributor relationship is terminated.

Since the Company (through its wholly-owned subsidiary) serves as the distributor of Leatt products in the United States, 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 dealer or to the ultimate consumer when there is no dealer in the geographic area or the consumer chooses to purchase directly from the Company's e-commerce website and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer.

The Company's standard terms and conditions of sale for non-consumer direct or web-based sales do not allow for product returns other than under warranty.

International sales (other than in the United States and South Africa) are generally drop-shipped directly from the third-party manufacturer to the international distributors. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point, Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned and exchanged due to product quality issues. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products. Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

The Company reviews the reserves for customer returns at each reporting period and adjusts them to reflect data available at that time. To estimate reserves for returns, the Company estimates the expected returns and claims based on historical rates as well as events and circumstances that indicate changes to historical rates of product returns and claims. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. The provision for estimated returns at September 30, 2021 and 2020 were \$0 and \$0, respectively.

Sales commissions are expensed when incurred, which is generally at the time of sale or cash received from customers, because the amortization period would have been one year or less. These costs are recorded in commissions and consulting expenses within operating expense in the accompanying consolidated statements of operations and comprehensive income.

Shipping and handling activities associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a fulfillment cost and are included in revenues and cost of revenues in the accompanying consolidated statements of operations and comprehensive income.

Revenue recognized from contracts with customers is recorded net of sales taxes, value added taxes, or similar taxes that are collected on behalf of local taxing authorities.

***Allowance for Doubtful Accounts Receivable*** - Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. We continuously monitor collections and payments from customers and maintain an allowance for doubtful accounts receivable based upon historical experience and any specific customer collection issues that have been identified. In determining the amount of the allowance, we are required to make certain estimates and assumptions. Accounts receivable balances that are still outstanding after we have used reasonable collection efforts are written off as uncollectible. While such credit losses have historically been minimal, within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of any of our significant customers could have a material adverse effect on the collectability of our accounts receivable and our future operating results. The allowance for doubtful accounts at September 30, 2021 was \$134,308 and at December 31, 2020 was \$101,885.

**Inventory Valuation** - 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, we 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, we utilize historical experience as well as current market information. The reserve for obsolescence at September 30, 2021 was \$168,431 and at December 31, 2020 was \$116,591.

**Impairment of Long-Lived Assets** - Our long-lived assets include property and equipment. We evaluate our long-lived assets for recoverability whenever events or changes in circumstances indicate that an asset may be impaired. In evaluating an asset for recoverability, we estimate the future cash flow expected to result from the use of the asset and eventual disposition. If the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair value of the asset, is recognized. We have determined there were no impairment charges during the quarters ended September 30, 2021 and 2020.

**Operating Leases** - The Company determines if an arrangement is a lease at contract inception. Operating leases are included in the right-of-use assets ("ROU"), and lease liability obligations are included in the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset of the lease term and lease liability obligations represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. As the Company's leases typically do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives and lease direct costs. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

**Income Taxes** - As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax provision (benefit) in each of the jurisdictions in which we operate. This process involves estimating our current income tax provision (benefit) together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We regularly evaluate our ability to recover the reported amount of our deferred income taxes considering several factors, including our estimate of the likelihood of the Company generating sufficient taxable income in future years during the period over which the temporary differences reverse.

#### **Recent Accounting Pronouncements**

See Note 10, "Recent Accounting Pronouncements" in the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the respective dates of adoption, or expected adoption and effects on our consolidated financial position, results of operations and cash flows.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to its stockholders.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not Applicable.

#### **ITEM 4. CONTROLS AND PROCEDURES.**

##### **Disclosure Controls and Procedures**



As of September 30, 2021, the Company's management, under the direction of its Chief Executive Officer and the Chief Financial Officer, Mr. Sean Macdonald, carried out an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer determined that the Company's disclosure controls and procedures were deemed to be effective.

#### **Changes in Internal Controls Over Financial Reporting**

There were no changes in our internal controls over financial reporting during the period ended September 30, 2021, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **PART II** **OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS.**

From time to time, we may become involved in various lawsuits and legal proceedings in the ordinary course of our business. Other than as set forth below, we are currently not aware of any legal proceedings the ultimate outcome of which, in our judgment based on information currently available, would have a material adverse effect on our business, financial condition or operating results.

- On April 3, 2018, a wrongful death lawsuit was filed against the Company in Superior Court of California, Imperial County, and subsequently removed to USDC San Diego. The claims asserted included strict liability, negligence, failure to warn, and breach of implied and express warranties. After facing a vigorous defense, the plaintiffs agreed to a confidential settlement dismissing all claims against the Company. A formal dismissal order has not yet been entered.

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

There are no material changes from the risk factors previously disclosed in Item 1A "Risk Factors" of our annual report on Form 10-K for the period ended December 31, 2020.

#### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

#### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

#### **ITEM 4. MINE SAFETY DISCLOSURES.**

None.

#### **ITEM 5. OTHER INFORMATION.**

We have no information to disclose that was required to be in a report on Form 8-K during the period covered by this report but was not reported. There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

#### **ITEM 6. EXHIBITS.**

The following exhibits are filed as part of this report or incorporated by reference:

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">10.1</a>	<a href="#">Consulting Agreement, dated November 8, 2021, between Innovation Services Limited and Leatt Corporation</a>
<a href="#">10.2</a>	<a href="#">Side Letter Agreement, dated November 8, 2021, between Leatt Corporation and Dr. Christopher Leatt</a>
<a href="#">31.1</a>	<a href="#">Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.2</a>	<a href="#">Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1</a>	<a href="#">Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2</a>	<a href="#">Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101*	Interactive data files pursuant to Rule 405 of Regulation S-T
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
<a href="#">101.SCH</a>	<a href="#">XBRL Taxonomy Extension Schema Document</a>
<a href="#">101.CAL</a>	<a href="#">XBRL Taxonomy Extension Calculation Linkbase Document</a>
<a href="#">101.DEF</a>	<a href="#">XBRL Taxonomy Extension Definition Linkbase Document</a>
<a href="#">101.LAB</a>	<a href="#">XBRL Taxonomy Extension Label Linkbase Document</a>
<a href="#">101.PRE</a>	<a href="#">XBRL Taxonomy Extension Presentation Linkbase Document</a>
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed with this Form 10-Q for Leatt Corporation. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 12, 2021

### LEATT CORPORATION

By: /s/ Sean Macdonald

Sean Macdonald

Chief Executive Officer and Chief Financial Officer

*(Principal Executive, Financial and Accounting Officer)*

## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">10.1</a>	<a href="#">Consulting Agreement, dated November 8, 2021, between Innovation Services Limited and Leatt Corporation</a>
<a href="#">10.2</a>	<a href="#">Side Letter Agreement, dated November 8, 2021, between Leatt Corporation and Dr. Christopher Leatt</a>
<a href="#">31.1</a>	<a href="#">Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.2</a>	<a href="#">Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1</a>	<a href="#">Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2</a>	<a href="#">Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101*	Interactive data files pursuant to Rule 405 of Regulation S-T
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
<a href="#">101.SCH</a>	<a href="#">XBRL Taxonomy Extension Schema Document</a>
<a href="#">101.CAL</a>	<a href="#">XBRL Taxonomy Extension Calculation Linkbase Document</a>
<a href="#">101.DEF</a>	<a href="#">XBRL Taxonomy Extension Definition Linkbase Document</a>
<a href="#">101.LAB</a>	<a href="#">XBRL Taxonomy Extension Label Linkbase Document</a>
<a href="#">101.PRE</a>	<a href="#">XBRL Taxonomy Extension Presentation Linkbase Document</a>
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed with this Form 10-Q for Leatt Corporation. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## CONSULTING AGREEMENT

between

**Leatt Corporation**  
(the "Company")

and

**Innovation Services Limited**  
(the "Consultant")

**PREAMBLE****WHEREAS**

- 1.1. The Company is an innovator and producer of protective helmets, neck and knee braces and other protective sporting apparel, with its registered address in the United States of America being c/o Two Eleven Distribution LLC, 9555 N Virginia St, Suite 105, Reno, Nevada, 89506.
- 1.2. The Consultant is a Limited Company, incorporated in Jersey, with address: Beauport House, L'Avenue De La Commune, St. Peter, Jersey, JE3 7BY, Channel Islands.
- 1.3. The Consultant, under the directorship and oversight of Consultant's POC (as defined below), has the necessary skills and resources in order to provide various consulting services in favour of the Company arising from the research and development activities of the Consultant.

The Company desires to continue benefitting from the expertise of the Consultant's POC and other skilled personnel and research activities conducted by the employees and contractors of the Consultant for certain services related to the Business and described in more detail in Clause 3 of this Agreement (the "Services"), by retaining the Consultant to provide the Services as defined in Clause 3 hereof to the Company.

**NOW, THEREFORE**, in consideration of the mutual benefits to be derived and the representations herein contained and intending to be legally binding the Parties hereby agree as follows:

**2. DEFINITIONS**

Unless such meaning is inconsistent with the context, the following terms shall throughout this Agreement have the meanings respectively ascribed to them, namely:

- 2.1. **"Agreement"** shall mean this agreement and all the annexures and schedules thereto inclusive;
- 2.2. **"Company"** shall mean Leatt Corporation, a Nevada corporation, with its registered offices in the United States of America located at c/o Two Eleven Distribution LLC, 9555 N Virginia St, Suite 105, Reno, Nevada 89506;
- 2.3. **"Consultant"** shall mean Innovation Services Limited, incorporated in Jersey, with address: Beauport House, L'Avenue De La Commune, St. Peter, Jersey, JE3 7BY, Channel Islands.

- 2.4. **"Consultant's POC"** shall mean Dr Christopher Leatt, a South African national with South African identity number 680522 5046 081, the Company's founder and Research and Development consultant, and chairman of its Board of Directors.
- 2.5. **"Dispute"** shall mean any claim, dispute or difference of whatever nature arising under, out of or in connection with this Agreement (including any claim, dispute or difference regarding the existence, termination or validity of this Agreement);
- 2.6. **"Dispute Notice"** shall mean a written notice by one Party to the other Party declaring the existence of a Dispute;
- 2.7. **"Effective Date"** shall mean 1<sup>st</sup> November, 2021;
- 2.8. **"Expenses"** shall mean for the purposes of this Agreement, all direct and indirect costs of any type or nature whatsoever (including, without limitation, any fees and disbursements of an indemnitee's counsel, accountants and other experts and other out-of-pocket costs) actually and reasonably incurred by an indemnitee in connection with the investigation, preparation, defense or appeal of a Proceeding; provided, however, that Expenses shall not include judgments, fines, penalties or amounts paid in settlement of a Proceeding;
- 2.9. **"Immediate Family Members"** shall mean spouses, children, stepchildren and adopted children.
- 2.10. **"Parties"** shall mean both the Company and the Consultant.
- 2.11. **"Party"** shall mean either one of the Company or the Consultant as applicable;
- 2.12. **"Proceeding"** shall mean for the purposes of this Agreement, any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative (including any action or investigation brought by relevant tax or banking authorities, or an action brought by or in the right of the Company) in which an indemnitee may be or may have been involved as a party or otherwise, by reason of an indemnifying party's breach of the terms and provisions of this Agreement and/or its breach of the representations and warranties thereunder; and

- 2.13. **"Services"** shall mean the research and development services provided to the Company by the Consultant to assist the Company in achieving its objectives as set out at Clause 3 below.

### 3. SERVICES AND DURATION

- 3.1. The Company hereby appoints the Consultant as its exclusive provider of the Services, in accordance with the terms set forth herein.
- 3.2. The Consultant hereby duly accepts its appointment as the Company's exclusive provider of Services in accordance with the terms hereof.
- 3.3. Consultant will provide the Services in a timely and professional manner, and in accordance with all applicable laws, including without limitation, state and federal laws, ordinances, requirements, industry standards, guidelines and regulations (all of the foregoing collectively, "**Regulations**") in connection with the Services provided hereunder.
- 3.4. Consultant undertakes to ensure that at all times during the term of this Agreement, that Consultant's POC shall remain a director of the Consultant, as well as the beneficiary of a majority of its ownership interests, regardless of Consultant's legal structure, and shall remain ultimately responsible for delivery of the Services to the Company.
- 3.5. The Consultant further undertakes that all written advice given by the Consultant in the course of providing the Services to the Company are reviewed, confirmed, executed and delivered by Consultant's POC personally, and that Consultant's POC shall be the Company's primary point of contact with respect Consultant's delivery of the Services during the Term.
- 3.6. Consultant may not subcontract or assign the Services provided hereunder without the prior written consent of Company, and any approved subcontract or assignment thereof shall be subject to the terms and conditions of this Section. Consultant shall remain liable for all work performed by any subcontractor on behalf of Consultant hereunder and for such subcontractor's compliance with this Agreement. Consultant will be responsible for payment of its subcontractors and hereby indemnifies Company against any claims resulting from Consultant's failure to pay, including discharging (at Consultant's expense) any liens obtained by its subcontractors against Company or Company property.
- 3.7. Consultant understands and agrees that all of its employees and agents performing any of the Services ("**Personnel**") are Consultant's employees for all purposes, including federal, state and local taxes, workers compensation or any other similar taxes or insurance obligations, and that under no circumstances will Consultant or any of its agents, subcontractors, employees or any person performing the Services be deemed employees of the Company for any purpose. Consultant will hire, fire, discipline, schedule, direct, assign, evaluate and completely supervise the Services performed by the Personnel. Consultant is solely responsible for all applicable federal, state and local taxes, workers compensation and other taxes or insurance levied on payments to the Consultant by the Company. Neither Consultant, nor its employees or staff, are eligible for any benefits granted by the Company to the Company's employees, including without limitation, pension and retirement plans; life, medical or disability insurance; or any fringe benefit of any kind, nor will the Company be liable to any of Contactor's Personnel for unemployment insurance.



- 3.8. This Agreement shall commence as from the Effective Date (defined above) and shall continue for a period of five years following the anniversary date thereof (the "Term") unless terminated by either Party in accordance with Section 13 (Termination) below. The Parties shall have the option to renew this Agreement in writing for successive twelve-month periods prior to the expiration of the then-current Term.

4. **OBLIGATIONS OF THE CONSULTANT**

- 4.1. The Consultant shall provide the following Services to the Company:
- 4.1.1. Consulting services with respect to innovation of new biomedical products or the further development of existing products owned, licensed, manufactured or otherwise dealt with by the Company;
  - 4.1.2. Consulting services with respect to the marketing, sale and distribution of products in 4.1.1 above;
  - 4.1.3. Management of all research and development activities of the Leatt Lab, including but not limited to consultation on product development and quality control functions;
  - 4.1.4. Bringing to market innovative, revolutionary products that represent potential future growth areas for the Company;
  - 4.1.5. Management of timelines and deliverables from the Leatt Lab in accordance with the Company's product development plan;
  - 4.1.6. Management of all international product certifications relating to Leatt Lab Blue Sky products and new homologation in connection with organizations including but not limited to FIA, FIM and CIK

- 4.1.7. Development and management of relationships with all relevant international sporting bodies relating to Leatt Lab products;
- 4.1.8. Management of all communication with outside academic and research institutes relating to Leatt Lab products;
- 4.1.9. Provide expert witnesses, including that of the Consultant's POC personally, in product liability cases;
- 4.1.10. Investigation and presentation of new research and development business opportunities for the Company to promote revenue growth;
- 4.2. The Consultant hereby further undertakes to provide any other services to the Company as the latter may from time to time require it to perform in order to assist and help the Company in attaining its objectives. Any such additional services and payments provided by the Consultant will be mutually agreed between the Parties and reduced to writing.
- 4.3. The Consultant shall provide, and shall ensure that its employees and agents provide, the Services to the Company using the degree of care, skill, diligence and competence expected from a professional in such a field, working in good faith and in the best commercial interests of the Company.
- 4.4. The Consultant agrees that it shall fulfill its obligations under this Agreement, and in particular, in respect of the Services it is to provide to the Company, in the manner agreed with the Company.
- 4.5. The Company shall assign jobs, projects or tasks to the Consultant through emails which will contain full instructions and necessary information for the completion of such jobs, tasks or projects. Those writings will be deemed to be appendices to the present Agreement.
- 4.6. The Consultant shall provide the Company with supporting documentation, including but not limited to updates, reports and invoices for each and every project for which the Consultant has provided Services to the Company, on a timely basis and as and when required by the Company.
- 4.7. The Consultant acknowledges that it will work with the Company on the basis of a monthly retainer. Work will be assigned to it as and when the Company deems necessary and that this Agreement imposes no obligation on the Company, and does not commit the Company, to provide continuous additional projects to the Services over and above the retainer services and fee.

- 4.8. In the event that the performance by the Consultant of any of the agreed Services under this Agreement is considered to be unsatisfactory by the Company, the Services shall, upon written Notice from the Company of such unsatisfactory performance, and at the own expenses of the Consultant, take all such necessary remedial actions and measures to render the Services satisfactory.
- 4.9. The Consultant shall be responsible for the payment of all taxes and duties which may be applicable to the Consultant by reason of the performance of its obligations under this Agreement.
- 4.10. The Consultant agrees that it shall not perform services similar to the Services provided hereunder for any current or future, direct or indirect competitor of the Company or any similar business. If the Consultant is uncertain if any services that it provides to third parties may or may not be competitive to the Business, it shall be obliged to obtain the prior written consent of the Company, and the Company shall make such assessment at its sole discretion., which consent shall not be unreasonably withheld. Furthermore, the Consultant agrees that it shall not solicit, and it shall expressly prohibit the Consultant's POC and any of its officers, directors and employees from soliciting, any current or future employees of the Company for employment with the Consultant or any other entity with which the Consultant's POC is currently or may become affiliated.
- 4.11. For the avoidance of doubt, the Consultant understands and agrees that any and all Intellectual Property generated in connection with the Services provided hereunder shall be the sole property of the Company. The Consultant, and any of its employees, directors, agents and partners as the case may be, shall cause the execution and delivery of any and all documents necessary to immediately transfer and/or assign the ownership of any such generated Intellectual Property to the Company.
- 4.12. The Consultant undertakes to conduct its business affairs as if it (including its employees, directors and contractors) were bound by the law of fiduciaries applicable in the State of Nevada, USA as is applicable to the Company's directors, and accordingly shall be obliged to apply the same duty of loyalty with respect to the Company's corporate opportunities, as if the Consultant were bound by the rules and regulations of the Company's executive officers and directors, and accordingly shall ensure that any possible corporate opportunities that a reasonable person would consider may be in the interests or for the benefit of the Company shall immediately be disclosed in full to the Company and made available to the Company. The Company shall have the right to further explore and take advantage of such corporate opportunities so disclosed by the Consultant at its own time and matter, and no failure or delay by the Company in acting on such opportunities may be deemed a waiver of its rights hereunder.

**5. OBLIGATIONS OF THE COMPANY**

5.1. The Company shall communicate to the Consultant all necessary information for the due performance of the Services under this Agreement.

**6. FEES AND PAYMENT TERMS**

6.1. For and in consideration of the Services to be provided under Clause 4 of this Agreement, excluding any additional services that the Consultant may from time to time be required to perform by the Company, the Consultant shall be paid a fee of US\$ 42,233.00 (forty-two thousand two hundred and thirty-three United States Dollars) per month.

6.2. Consultant shall notify Company in writing of any increase in the Fee within sixty (60) days of such increase, and any such increase shall not be greater than the lesser of: (a) two and one-half percent (2.5%) of the prior year's annualized fee; or (b) a percentage equal to then-applicable annual percentage increase in the CPI PLUS 0.5%. CPI shall mean the Consumer Price Index for all urban consumers all cities average, for all items (1982-1984=100) published by the bureau of labor statistics, United States Department of Labor.

6.3. Payment to the Consultant hereunder will commence on the Effective Date and will continue through the term of this Agreement.

**7. CONFIDENTIALITY**

7.1. The Consultant acknowledges that during the performance of the Services under this Agreement, the Consultant will have access to, and become acquainted with, documents, materials and information about the Company's business, assets, financial condition, results of operations, and any intellectual property owned or licensed by the Company and/or used by the Company in connection with the operation of its respective businesses, regardless of whether it is marked or designated as "confidential" by the Company, including but not limited to any concepts, plans, or designs, trade secrets, business and product processes, methods, know-how, customer lists, accounts and procedures, intended uses, technology, and/or prospects, inventions, discoveries, innovations, records and specifications, and will conceive discoveries, developments and innovations during the performance of the Services under this Agreement, including the creation, enhancement and enhancement of additional intellectual property arising from the Services provided by the Consultant (collectively the "Confidential Information").

- 7.2. The Consultant agrees to safeguard and maintain the Company's Confidential Information as strictly confidential and shall use it solely for the purpose of fulfilling its obligations under this Agreement. Consultant will limit access to the Confidential Information only to its employees with a need to know the Confidential Information and will instruct its employees to keep the information confidential. Without the Company's prior written consent, Consultant shall not disclose any Confidential Information to any third party.
- 7.3. All files, records, documents, blueprints, specifications, information, letters, notes, media lists, original artwork/creative, notebooks, and similar items relating to the business of the Company, whether prepared by the Consultant or otherwise coming into the possession of the Consultant, shall remain the exclusive property of the Company, as applicable (the "Materials").
- 7.4. Any and all Intellectual Property generated in connection with the Services provided hereunder shall be the sole property of the Company in accordance with clause 4.11 above. The Consultant shall not retain the Intellectual Property or the Materials of the Company without the prior written permission of the Company.
- 7.5. This restriction shall continue to apply after the expiration or termination of this Agreement without limit in point of time but shall cease to apply to secrets or information which comes into the public domain through no fault of the Consultant.

## 8. INDEMNITY

- 8.1. The Consultant agrees to indemnify and hold harmless the Company and each of its officers and directors, against loss or damage to the Company or any third party, arising out of the Consultant's breach of any representation or warranty under this Agreement. Specifically, the Consultant shall indemnify the Company against Expenses, judgments, fines, penalties or amounts paid in settlement, actually and reasonably incurred by the Company in connection with a Proceeding if the Company acted in good faith and in a manner the Company reasonably believed to be in the best interests of the Company and its Stockholders.
- 8.2. The Company shall indemnify the Consultant against any loss or damage to any third party arising out of the commission of the Company's breach of the terms of this Agreement. For the avoidance of doubt, any breach of this Agreement shall not be deemed to be a breach of the Company by virtue of the Consultant's POC position as a director of the Company.
- 8.3. Expenses incurred by an indemnified party hereunder, in defending and investigating any Proceeding shall be paid by the indemnifying party in advance of the final disposition of such Proceeding within 30 days after receiving from the indemnified party the copies of invoices presented to it for such Expenses.

**9. CONSULTANT REPRESENTATIONS AND WARRANTIES**

The Consultant represents and warrants to the Company that:

- 9.1. The Consultant is an independent service provider and that nothing in this Agreement shall render the Consultant, or any of its employees or directors and sub-contractors, to be an employee, agent or partner of the Company, and the Consultant will not hold itself out as such;
- 9.2. The Consultant has been duly and validly incorporated and has the proper approvals, authorizations and license to provide the Services under the laws of Jersey;
- 9.3. The execution, delivery and performance of this Agreement do not and will not infringe the provisions of any agreement and law, regulation or similar enactment to which the Consultant is subject, including but not limited to the laws of Jersey;
- 9.4. During the due diligence review period, the Consultant has provided complete and accurate information on itself, its officers and directors and its ultimate owners and/or beneficiaries, and that it shall inform the Company forthwith of any change in the information provided.

**10. GOVERNING LAW**

- 10.1. Subject to the dispute resolution provisions of clause 11 below, all questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Nevada without giving effect to the choice of law principles or conflict of laws provisions thereof. The parties hereby irrevocably consent and submit to the jurisdiction of the state and federal courts located in the State of Nevada for all purposes, including the enforcement of a judgement of an arbitration award resulting from any arbitration pursuant hereto.
- 10.2. Each of the parties hereby waives, and agrees not to assert against each other, or any successor assignee thereof, by way of a motion, as a defense, or otherwise, in any such suit, action or proceeding, (i) any claim that it is not personally subject to the jurisdiction of the above-named courts or to an arbitration proceeding hereunder, and (ii) to the extent permitted by applicable law, any claim that such arbitration proceeding or proceedings relating to the enforcement of an arbitration award is in an inconvenient forum or that the venue of any such proceeding is improper, or that judgement upon an arbitration award may not be entered in any such courts.
- 10.3. In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

**11. DISPUTE RESOLUTION**

- 11.1. The Parties will endeavor to settle any dispute, claim or controversy arising out of or relating to this Agreement, or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate. They will consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both Parties.
- 11.2. If negotiation is unsuccessful, the Parties may resolve the dispute by mediation. If mediation is unsuccessful or not utilized, then the Parties shall resolve the dispute, by submission to JAMS (formerly known as Judicial Arbitration and Mediation Services, Inc.) for final and binding arbitration pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules. The arbitration will be conducted in Las Vegas, Nevada, before a panel of one arbitrator chosen by both Parties (the "Arbitrator"). The Parties agree that experience in the design, manufacturing, and distribution of consumer athletic or protective gear and in arbitrating disputes between research and development contractors and customers shall be relevant factors in selecting an arbitrator. The Arbitrator may, at its discretion, provide for discovery by the Parties, not to exceed sixty (60) days from the date of filing of the notice of arbitration. Except as provided in this Agreement, the schedule and rules for the arbitration hearing will be set by the Arbitrator. The Parties will equally split costs and expenses of arbitration, including arbitrators' fees but not attorneys' fees. The award of the Arbitrator shall be accompanied by a written opinion setting forth the rationale for the decision. The Arbitrator may not award punitive or exemplary damages. The arbitration will be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16. Judgment upon the Arbitrator's award may be entered by any court of competent jurisdiction.
- 11.3. Notwithstanding the foregoing, the Parties understand and agree that any dispute relating to the title, use, validity, or other similar claims related to intellectual property, including copyright, trademark, patent or trade secrets, shall not be subject to the provisions in this clause related to arbitration.
- 11.4. The Parties to the arbitration undertake to keep the arbitration, including the subject matter of the arbitration and the evidence heard during the arbitration, confidential and not to disclose it to anyone except for the purposes of an order to be made hereunder, or in connection with the Company's disclosure obligations as a U.S. public reporting company.

- 11.5. Nothing in this clause shall limit the right of a Party to seek or obtain provisional or preliminary relief from a court of competent jurisdiction to (a) compel arbitration in accordance with this Agreement, (b) obtain orders to require witnesses to obey subpoenas issued by the arbitrators, (c) seek temporary injunctive relief related to the breach of the other Party's confidentiality obligations under this Agreement or (d) secure enforcement of any arbitration award rendered pursuant to this clause 11.

## 12. NOTICES

- 12.1. Any notices to be given to the Parties in terms of this Agreement shall be in writing and delivered by hand during ordinary business hours or sent by email during normal business hours to the addresses mentioned hereunder, which respective addresses the parties choose as their *domicile* addresses for the delivery or service of all notices, communications or legal processes arising out of this Agreement:

**Company:**

Leatt Corporation  
c/o Two Eleven Distribution LLC  
9555 N Virginia St, Suite 105, Reno,  
Nevada, 89506  
United States of America  
Email: lara@leatt.com

**Consultant:**

Innovation Services Limited  
Beauport House, L'Avenue De La Commune, St. Peter  
Jersey, JE3 7BY, Channel Islands  
Emails: [cosec@fw.je](mailto:cosec@fw.je)

- 12.2. Every notice shall be deemed to have been properly given :
- 12.2.1. if delivered by hand, on the date of delivery;
- 12.2.2. if sent to a party at its email address, (in the absence of proof to the contrary) on the date of transmission where it is transmitted during normal business hours of the receiving instrument, and on the next business day where it is transmitted outside those business hours, in either event provided that it has been confirmed by registered letter posted no later than the business day immediately following the date of transmission.

or such other address as either party may choose by written notice to the other from time to time.



**13. TERMINATION**

- 13.1. Every party shall have the right to terminate this Agreement upon 6 months' prior written notice served on the other party.
- 13.2. The Agreement shall terminate immediately without notice upon material breach of this Agreement by any of the Parties. For the avoidance of doubt, the Agreement shall be terminated immediately without notice if Consultant is at any time in breach of its undertakings stipulated in 3.4 or 3.5 above, including any delegation to a third party of the Consultant's POC's responsibility described therein.
- 13.3. The Agreement shall be terminated immediately without notice if the combined beneficial ownership interest of Consultant's POC and his Immediate Family Members in the Consultant decreases.
- 13.4. Termination of this Agreement for whatsoever reason shall not affect the accrued rights of the Parties arising in any way out of this Agreement as at the date of the termination thereof and, in particular but without limitation, the right to recover damages against the other.
- 13.5. The invalidity or nullity of any one of the provisions of this Agreement shall not result in any of the other provisions of this Agreement being invalidated or rendered void.
- 13.6. The obligations of confidentiality by the Parties and fees and commissions accrued prior to termination by the Parties under this Agreement shall survive the expiry or the termination of this Agreement, except in connection with the Company's disclosure obligations as a U.S. public reporting company.
- 13.7. Upon completion of the Services to be provided under this Agreement, or upon termination of this Agreement, the Consultant shall deliver to the Company, as applicable, all papers and other materials belonging to the Company and any materials produced during the course of delivery of the Services;
- 13.8. All Intellectual Property developed or received during the term of this Agreement shall be transferred and remitted to the Company as provided at Clause 4.11 of this Agreement.

**14. INDEPENDENT CONTRACTORS**

- 14.1. Consultant is furnishing its Services hereunder as an independent contractor, and nothing herein creates any association, partnership or joint venture between the Parties hereto or any employer employee relationship.

- 14.2. The Parties undertake to do all things and to sign all documentation, as may be necessary from time to time, so as to give effect to the provisions of this Agreement.

15. **LIMITS ON LIABILITY**

- 15.1. Except for the indemnification obligations provided in clauses 8 (Indemnification) above, Consultant's breach of its confidentiality obligations under clauses 7 (Confidentiality) above, and for liability arising from a Party's fraud or intentional misconduct, in no event will either Party be liable against the other Party for any damages resulting from lost profits, loss of anticipated savings, consequential loss or damage, nor for any damages that are an indirect or secondary consequence of any act or omission of such Party, whether such damages were reasonably foreseeable or actually foreseen.
- 15.2. Except for the indemnification obligations provided in clauses 8 (Indemnification) above, Consultant's breach of its confidentiality obligations under clauses 7 (Confidentiality) above, and for liability arising from a Party's fraud or intentional misconduct, the maximum liability of a Party to the other Party under this Agreement or otherwise for any cause whatsoever (whether in the form of the additional cost of remedial services or otherwise) will be for direct costs and damages only and will be limited to the equivalent of the sum of the last twelve (12) months' Services Fees invoiced by the Consultant under this Agreement at the date of such claim.

16. **GENERAL**

- 16.1. This Agreement, together with the separate written agreements referenced herein, constitutes the entire agreement between the Parties in respect of the subject matter thereof, and no representation by either of the Parties, whether made prior or subsequent to the signing of this Agreement, shall be binding on either of the Parties unless in writing and signed by both the Parties hereto.
- 16.2. No variation, alteration or consensual cancellation of this Agreement or any of the terms thereof, shall be of any force or effect, unless in writing and signed by the Parties hereto.
- 16.3. No waiver or abandonment by either party of any of its rights in terms of this Agreement shall be binding on that party, unless such waiver or abandonment is in writing and signed by the waiving party.
- 16.4. No indulgence, extension of time, relaxation or latitude which any party ("the Grantor") may show, grant or allow to another ("the Grantee") shall constitute a waiver by the Grantor of any of the Grantor's rights and the Grantor shall not thereby be prejudiced or estopped from exercising any of its rights against any Grantee which may have arisen in the past or which might arise in the future.

- 16.5. Unless the context indicates otherwise the rights and obligations of any party arising from this Agreement shall devolve upon and bind its successors-in-title.
- 16.6. Prior drafts of this Agreement shall not be admissible in any proceedings as evidence of any matter relating to any negotiations preceding the signature of this Agreement.
- 16.7. Except with respect to the Company's disclosure obligations as a U.S. public reporting company, and its disclosures to its advisors and other agents, the Parties agree to keep the terms of their relationship and the terms and conditions contained in this Agreement confidential and not to disclose any such matters to any other person without the prior written consent of the other of them.
- 16.8. In the event that any of the provisions of this Agreement are found to be invalid, unlawful, or unenforceable such terms shall be severable from the remaining terms, which shall continue to be valid and enforceable.
- 16.9. This Agreement may be executed by facsimile or email and in multiple counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement.
- 16.10. In this Agreement unless the context otherwise requires: the singular shall import and include the plural and vice versa; words indicating one gender shall import and include other genders; words indicating natural persons shall import and include artificial persons; and the headnotes to this Agreement are used for the sake of convenience only and shall not govern the interpretation of the clause to which they relate.

[SIGNATURE PAGE FOLLOWS]

Each of the undersigned individuals represents and warrants that he or she is expressly and duly authorized by his or her respective entity to execute this Agreement and to legally bind each such entity to the terms as set forth in this Agreement.

**LEATT CORPORATION**

s/s Sean Macdonald

Name: Sean Macdonald

Title: Chief Executive Officer

Date: November 8, 2021

**INNOVATION SERVICES LIMITED**

**By: Forward Directors Limited  
Its Authorized Signatory**

/s/ Simon Voisin

Name: Simon Voisin

Title: Director

Date: November 8, 2021

/s/ Alun Griffiths

Name: Alun Griffiths

Title: Director

Date: November 8, 2021

November 8, 2021

**RE: LETTER AGREEMENT ON CONSULTING SERVICES AND OBLIGATIONS**

Leatt Corporation (the "Company") is entering into a certain consulting agreement with Innovation Services Limited ("Innovation"), dated of even date herewith (the "Consulting Agreement"), pursuant to which the Company is agreeing to appoint Innovation to provide certain research and development consulting services to the Company (the "Services"), subject to Dr. Christopher Leatt being responsible for the oversight and delivery of the Services by the Innovation, as an employee or consultant of the Innovation. The Company hereby seeks to separately confirm Dr. Leatt's understanding of, and agreement with, his specific performance of, and ultimate responsibility for, the Services, and to confirm Dr. Leatt's understanding of certain other duties and obligations to the Company in connection with his continued role as a Company fiduciary under applicable corporate and securities laws.

In consideration of the mutual covenants contained in this letter agreement ("Agreement") and in the Consulting Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, Dr. Leatt and the Company agree as follows:

**1. OBLIGATIONS**

Dr. Leatt hereby understands and agrees to fulfill the following obligations during the term of the Consulting Agreement:

- 1.1. Dr. Leatt hereby agrees that he shall not perform services similar to the Services provided hereunder for any current or future, direct or indirect competitor of the Company or any similar company.
- 1.2. Dr. Leatt understands that it is in the best interest of the Company and its stockholders to retain its current and future employees and hereby agrees that he shall not solicit any such current or future employees for employment with the Consultant or any other entity with which he is currently or may become affiliated.
- 1.3. Dr. Leatt understands and agrees that any and all Intellectual Property generated in connection with the Services provided under the Consulting Agreement shall be the sole property of the Company, and that failure to immediately transfer and/or assign the ownership of any such generated Intellectual Property to the Company would cause harm to the Company and would be in contravention of his obligations to the Company referenced herein.
- 1.4. Dr. Leatt understands and agrees that as a principal, director and majority stockholder of the Company, he remains subject to applicable laws regarding the duty of fiduciaries in the State of Nevada, the Company's legal domicile, and subject to rules and regulations regarding the executive officers and directors of an issuer registered with the United States Securities and Exchange Commission, such as the Company, including the duty of loyalty with respect to the Company's corporate opportunities.
  - 1.4.1. Dr. Leatt hereby agrees that he will not contact or solicit any current or future stockholder of the Company, or any current, future or prospective investor in the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company and/or to his provision of the Services provided to the Company. Notwithstanding the foregoing, Dr. Leatt may seek the advance written consent of the Company (which the Company may provide at its sole discretion) to communicate with certain investors in connection

1.4.2. with any business opportunity which, after due consideration, the Company has elected to not pursue.

- 1.4.3. Dr. Leatt further agrees that, if in the course of his planned exploration of other business activities he becomes aware of any business opportunity that could benefit the Company (a "Corporate Opportunity"), he will immediately notify the Company of such Corporate Opportunity so that the management of the Company can make a determination regarding whether pursuit of such Corporate Opportunity would be in the best interest of the Company and its stockholders. Dr. Leatt may only take any such Corporate Opportunity for himself or offer it to third parties where he has obtained a written waiver from the Company, at the Company's sole discretion, based on its determination that the contemplated opportunity is unrelated to the commercial goals and objectives of the Company. For the avoidance of doubt, the obligation to present a Corporate Opportunity to the Company shall apply regardless of whether Dr. Leatt believes that any such business opportunity relates to the then current business activities of the Company.

## 2. INDEMNIFICATION

Dr. Leatt agrees to indemnify and hold harmless the Company and each of its officers and directors, against loss or damage to the Company or any third party, arising out of Dr. Leatt's breach of any of his obligations hereunder. Specifically, Dr. Leatt shall indemnify the Company against Expenses, judgments, fines, penalties or amounts paid in settlement, actually and reasonably incurred by the Company in connection with any Proceeding if the Company acted in good faith and in a manner the Company reasonably believed to be in the best interests of the Company and its Stockholders. For the avoidance of doubt, any breach of this Agreement by Dr. Leatt shall not be deemed to be a breach of the Company by virtue of his position as a director of the Company. References to "Expenses" shall mean all direct and indirect costs of any type or nature whatsoever (including, without limitation, any fees and disbursements of the Company's counsel, accountants and other experts and other out-of-pocket costs) actually and reasonably incurred by the Company in connection with the investigation, preparation, defense or appeal of a Proceeding; provided, however, that Expenses shall not include judgments, fines, penalties or amounts paid in settlement of a Proceeding. References to a "Proceeding" shall mean any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative (including any action or investigation brought by relevant tax authorities, or an action brought by or in the right of the Company) in which the Company may be or may have been involved as a party or otherwise, by reason of Dr. Leatt's breach of the terms and provisions of this Agreement.

## 3. GOVERNING LAW

All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Nevada, without giving effect to choice of law principles or conflict of laws provisions thereof, except to the extent that Federal laws apply.

## 4. GENERAL

- 4.1. This Agreement, together with the separate written agreements referenced herein, constitutes the entire agreement between the Company and Dr. Leatt in respect of the subject matter thereof, and no representation by either party, whether made prior or subsequent to the signing of this Agreement, shall be binding on each party and its successors-in-title, unless in writing and signed by both parties hereto.
- 4.2. No variation, alteration or cancellation of this Agreement or any of the terms thereof, shall be of any force or effect, unless in writing and signed by the Parties hereto. No waiver or abandonment by either party of any of its rights in terms of this Agreement shall be binding on that party, unless such waiver or abandonment is in writing and signed by the waiving party.

- 4.3. Except with respect to the Company's disclosure obligations as a U.S. public reporting company, and its disclosures to its advisors and other agents, the Parties agree to keep the terms of their relationship and the terms and conditions contained in this Agreement confidential and not to disclose any such matters to any other person without the prior written consent of the other of them.
- 4.4. In the event that any of the provisions of this Agreement are found to be invalid, unlawful, or unenforceable such terms shall be severable from the remaining terms, which shall continue to be valid and enforceable.
- 4.5. This Agreement may be executed by facsimile and in multiple counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement.

*[Remainder of Page Left Blank Intentionally]*

If this letter correctly states your understanding of our agreement, please indicate your consent and approval by executing in the blank provided for your signature below.

Very truly yours,

LEATT CORPORATION

By:     /s/ Sean Macdonald    

Name: Sean Macdonald

Title: Chief Executive Officer

Agreed to and accepted this 8th day of November, 2021:

DR. CHRISTOPHER LEATT

    /s/ Christopher Leatt



## CERTIFICATIONS

I, Sean Macdonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Leatt Corporation;
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 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.

Date: November 12, 2021

/s/ Sean Macdonald  
Sean Macdonald  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Sean Macdonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Leatt Corporation;
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 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.

Date: November 12, 2021

/s/ Sean Macdonald  
Sean Macdonald  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Sean Macdonald, the Chief Executive Officer of LEATT CORPORATION (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, each of the undersigned has executed this statement this 12<sup>th</sup> day of November, 2021.

/s/ Sean Macdonald  
Sean Macdonald  
Chief Executive Officer  
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Leatt Corporation and will be retained by Leatt Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Sean Macdonald, the Chief Financial Officer of LEATT CORPORATION (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, each of the undersigned has executed this statement this 12<sup>th</sup> day of November, 2021.

/s/ Sean Macdonald  
Sean Macdonald  
Chief Financial Officer  
*(Principal Financial and Accounting Officer)*

A signed original of this written statement required by Section 906 has been provided to Leatt Corporation and will be retained by Leatt Corporation and furnished to the Securities and Exchange Commission or its staff upon request.