

LEATT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

Overview

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

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

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

Basis of presentation

The accompanying financial statements as of December 31, 2009 and 2008 were audited and include the accounts of Leatt Corporation and its wholly-owned subsidiaries: Two Eleven Distribution, LLC, Three Eleven Distribution and Leatt New Zealand Limited. All significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Results of Operations

For the years ended December 31, 2009 and 2008.

Revenues - Revenues for the year ended December 31, 2009 were \$13,743,107 a decrease of 27% compared to revenues of \$18,778,412 for the year ended December 31, 2008. This decrease is primarily the effect of the worldwide economic slowdown as well as a change in the Company's sales mix of products. The Company has responded to this situation by building a team of international sales professionals in Europe and the USA to expand distribution geographically as well as offering revised terms to distributors. The Company continues to develop new products to reach wider markets.

The Company sold 79,157 braces for the year ended December 31, 2009 in the USA and internationally. For the years ended December 31, 2009 and 2008, international sales approximated 54% and 46% respectively of total sales.

Cost of revenues and gross profit - Cost of revenues and gross profit for the year ended December 31, 2009 were \$4,622,532 and \$9,120,575 or 66% respectively. For the same period in 2008, cost of revenues and gross profit were \$6,782,762 and \$11,995,650 or 64% respectively. This marginal increase in gross profit percentage is due to changes in the Company's pricing model in order to manage the Company's sales mix.

Salaries and wages - Salaries and wages for the years ended December 31, 2009 and 2008 were \$3,638,625 and \$2,660,719 respectively. This increase in salaries and wages is the result of adding specialized expertise in sales and marketing as the Company expands into various market segments. Additionally other staff members were added for operations as well as financial control. Salaries and wages for the year ending December 31, 2009 also includes \$50,000 relating to the Company's stock-based compensation plan.

Commission and consulting expense - Commission and consulting expense for the years ended December 31, 2009 and 2008 were \$543,218 and \$516,190 respectively. This increase in commission and consulting expenses is as a result of increased selling incentives as well as system implementation and market research consulting fees incurred.

Professional fees - Professional fees for the years ended December 31, 2009 and 2008 were \$1,389,224 and \$2,026,729 respectively. These are costs incurred for audit, tax and quarterly reporting requirements, patent protection and litigation expense, regulatory filings, product testing and certification outsourcing and other costs incurred as the Company continues to expand. This decrease in professional fees is primarily the effect of a decreased level of spend on current patent litigation for the year ended December 31, 2009.

Advertising and marketing - Advertising and marketing expenses for the years ended December 31, 2009 and 2008 were \$1,557,603 and \$1,640,496 respectively. Initially the Company relied on "word of mouth", but in early 2008 made the decision to place paid advertising in various motorsport magazines and to sponsor a number of events and teams to increase exposure. Analysis of the results of this advertising campaign has enabled the Company to refine the campaign and strategically continue to invest in those results that yielded the most benefit. Included in advertising and marketing expenditures for the year ended December 31, 2009 are costs relating to the Company's rebranding initiative.

Office rent and expenses – Office rent and expenses for the years ended December 31, 2009 and 2008 were \$224,832 and \$168,607 respectively. An increase in staff resulted in additional space requirements and the Company’s head office and research and development divisions moved to new premises.

Research and development costs – Research and development costs for the years ended December 31, 2009 and 2008 were \$122,042 and \$123,745 respectively. Costs were incurred to review competitor products and continue to develop new products.

General and administrative expenses – General and administrative expenses for the years ended December 31, 2009 and 2008 were \$1,304,949 and \$1,390,810 respectively. These costs consist of insurance, travel, merchant fees, telephone, office and computer supplies and other sundry expenses; with insurance and travel comprising the bulk of these expenses. Insurance needs continue to be reviewed and revised as appropriate and the Company continues to review and scrutinize all discretionary spending.

Net Income – The net loss for the year ended December 31, 2009 was \$129,569 down from net income of \$1,967,486 earned during the year ended December 31, 2008. Net income was impacted primarily by the decreased revenue discussed above as a result of the worldwide economic slowdown. Management is confident that intensified global sales and marketing efforts as well as the establishment of an international sales team will have a positive effect on net income going forward.

Liquidity and Capital Resources

At December 31, 2009, the Company had cash, cash equivalents and short-term investments of \$2,328,567.

Cash decreased by \$38,270 for the year ended December 31, 2009. The primary sources of cash were income taxes received of \$586,763 and reduced inventories of \$114,556 as well as payments received in advance of \$108,289. The primary uses of cash were a net loss of \$129,569, increased accounts receivable of \$500,323, decreased accounts payable of \$189,724 and purchases of property and equipment totaling \$643,672. The accounts receivable increase came primarily from Two Eleven where additional resources have now been applied to improve the accounts receivable process.

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 domestically as well as internationally.

NOTICE: Investors should read the entire financial report with footnotes and current risk factor section – all as posted on our website at <http://www.leatt-corp.com>. The above summary should not be relied upon in making any investment decisions and it is qualified in its entirety by reference to the complete financial report and footnotes for the fiscal year ended December 31, 2009, on said website. Nothing contained herein constitutes investment advice with respect to any securities.

FORWARD LOOKING STATEMENTS: This press release may contain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, as amended. Such statements include words like “expect,” “should,” “anticipate,” “may,” “hope,” “seek,” “project,” and variants thereof. These statements involve risks and uncertainties, and actual results may differ significantly from those indicated by any forward looking statement. Risks and uncertainties include without limitation the effect

of competitive and economic factors, and the Company's reaction to those factors, on consumer and business buying decisions with respect to the Company's products; the ability of the Company to deliver to the marketplace and stimulate customer demand for products, and technological innovations on a timely basis; the effect that product introductions and transitions, changes in product pricing or mix, and/or increases in component costs could have on the Company's gross margin; the inventory risk associated with the Company's need from time to time to order or commit to order product components in advance of customer orders; the continued availability on acceptable terms, or at all, of certain components and services essential to the Company's business currently obtained by the Company from sole or limited sources; the effect that the Company's dependency on manufacturing and logistics services provided by third parties may have on the quality, quantity or cost of products manufactured; the potential impact of a finding that the Company has infringed on the intellectual property rights of others; product quality control issues; the absence of a strong e-commerce website for products; the continued service and availability of key executives and employees; unfavorable results of legal proceedings, especially personal injury or product liability lawsuits or intellectual property rights lawsuits; and the Company's dependency on the performance of distributors and other resellers of the Company's products. The fact that the Company may commence new marketing or sales campaigns or launch new product lines does not necessarily result in improved financial results. More information on potential factors that could affect the Company's financial results is included from time to time in the Company's public disclosures at <http://www.leatt-corp.com>. The Company's common stock quotes on the Pink OTC Market and said stock is a "penny stock" under SEC rules. We are not an SEC reporting company. As such, any investment in the common stock is highly risky. The Company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates. URL's referenced herein are not incorporated herein or made a part of this summary.