

**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 June 30, 2009

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 for the transition period from _____ to _____

Commission file number 000-15303

Leo Motors, Inc.

(Exact name of registrant as specified in its charter)

Delaware 95-3909667
(State or other jurisdiction of incorporation or organization) (I. R. S. Employer Identification No.)

291-1, Hasangok-dong, Hanam City, Gyeonggi-do, Republic of Korea 465-250
(Address of principal executive offices) (Zip Code)

Copy to:

Cutler Law Group
9814 Crystal Blvd
Baytown, TX 77521
Fax: 800-836-0714
Email: rcutler@cutlerlaw.com

Registrant's telephone number, including area code +82 31 796 8805

n/a
(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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 of the registrant's common stock outstanding as of June 30, 2009 was 37,638,115 shares.

LEO MOTORS, INC.

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PART I. FINANCIAL INFORMATION.

ITEM 1. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

LEO MOTORS, INC.

(a development stage company)
CONSOLIDATED BALANCE SHEETS
June 30, 2009

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Current Assets:		
Cash in Bank	\$ 564,800	\$ 32,181
Accounts Receivable-net of allowance of \$11,735 and 0	46,414	13,854
Inventory	5,175	35,575
Prepaid Costs	115,332	130,568
Total Current Assets	731,721	212,178
Fixed Assets-Net	131,228	5,940
Deposits	76,125	63,104
Total Assets	\$ 939,074	\$ 281,222
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable and Accrued Expenses	102,255	16,850
Taxes Payable	-	2,080
Payments Received in Advance	-	396,197
Related Party Payable	600,397	804,794
Bank Loan	392,083	-
Total Current Liabilities	1,094,735	1,219,921
Total Liabilities	1,094,735	1,219,921
Stockholders' Equity		
Stock not yet issued	1,169,988	-
Common Stock, Authorized 100,000,000 Shares, \$0.001 par value, 37,638,115 and 31,613,115 shares issued and outstanding	37,638	31,613
Additional Paid in Capital	2,811,823	323,351
Comprehensive Loss - Translation	(3,450)	237,386
Retained Deficit	(4,171,660)	(1,531,049)
Stockholders' Deficit	(155,661)	(938,699)
Total Liabilities and Stockholders' Deficit	\$ 939,074	\$ 281,222

The notes are an integral part of these financial statements

LEO MOTORS, INC.

(a development stage company)

CONSOLIDATED STATEMENT OF OPERATIONS

*For the Three and Six Months Ended June 30, 2009 and 2008
and for the period from Inception (July 1, 2006) to June 30, 2009*

	For the three months ended June 30,		For the six months ended June 30,		July 1, 2006 (Date of Inception) to June 30,
	2009	2008	2009	2008	2009
Sales	\$ 29,128	\$ -	\$ 389,009	\$ 2,254	\$ 641,760
Cost of sales	<u>25,063</u>	<u>-</u>	<u>(233,266)</u>	<u>-</u>	<u>(233,266)</u>
Gross Profit	4,065	-	155,743	2,254	408,494
Expenditures					
Salaries and Benefits	236,131	116,581	262,345	234,329	656,775
Service Fees	31,201	18,757	65,753	43,545	297,411
General and Administrative	<u>680,212</u>	<u>72,527</u>	<u>2,465,207</u>	<u>170,625</u>	<u>3,733,956</u>
Total Expenses	947,544	207,865	2,793,305	448,499	4,688,142
Loss from continuing operations	(943,479)	(207,865)	(2,637,562)	(446,245)	(4,279,648)
Other Income (Expense)					
Consulting Income	<u>-</u>	<u>107,988</u>	<u>-</u>	<u>107,988</u>	<u>107,988</u>
Other Expense	<u>(18,752)</u>	<u>-</u>	<u>(3,049)</u>	<u>-</u>	<u>-</u>
Net loss for the period	<u>(962,231)</u>	<u>(201,306)</u>	<u>(2,640,611)</u>	<u>(431,058)</u>	<u>(4,171,660)</u>
Basic and diluted loss per share	\$ <u>(0.026)</u>	\$ <u>(0.01)</u>	\$ <u>(0.076)</u>	\$ <u>(0.01)</u>	
Weighted average number of shares outstanding	<u>36,792,282</u>	<u>30,312,315</u>	<u>34,625,615</u>	<u>30,312,315</u>	

The notes are an integral part of these financial statements

LEO MOTORS, INC.

(a development stage company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the Three and Six Months Ended June 30, 2009 and 2008
and for the period from Inception (July 1, 2006) to June 30, 2009*

	For the three months ended		For the six months ended		July1, 2006
	June 30,		June 30,		(Date of Inception)
	2009	2008	2009	2008	to June 30,
					2009
Net Profit (Loss)	\$ (961,000)	\$ (200,564)	\$ (2,639,602)	\$ (432,428)	\$ (4,167,317)
Currency Transaction Loss	<u>(1,231)</u>	<u>(742)</u>	<u>(1,029)</u>	<u>1,370</u>	<u>(4,343)</u>
Total Comprehensive Income	\$ (962,231)	\$ (201,306)	\$ (2,640,611)	\$ (431,058)	\$ (4,171,660)

The notes are an integral part of these financial statements

LEO MOTORS, INC.

(a development stage company)

CONSOLIDATED STATEMENT OF CASH FLOWS

*For the Three Months Ended June 30, 2009 and 2008
and for the period from Inception (July 1, 2006) to June 30, 2009*

	The Three Months Ended June 30, 2009	The Three Months Ended March 31, 2008	The Period from Inception (July 1, 2006) to March 31, 2009
Cash Flows from Operating Activities:			
Net Loss	\$ (2,640,611)	\$ (431,058)	\$ (4,171,660)
Adjustments to reconcile net loss to net cash provided by operating activities: Stock issued	2,037,584		2,180,666
Depreciation	5,940	4,000	67,806
(Increase) in Inventory	30,400	2,868	(5,175)
(Increase) Decrease in Accounts Receivable	(32,560)	(1,902)	(46,414)
(Increase) Decrease in Deposits/Prepaid	2,215	111,357	(191,457)
Increase (Decrease) in Accounts Payable and Accrued Expenses/Payments in Advance	83,325	30,355	102,255
Increase in Taxes and Advances	-	-	-
Net Cash Flows Used in Operating Activities	(168,497)	(143,993)	(953,184)
Cash Flows from Investing Activities			
Fixed Assets	-	-	(41,007)
Cash Flows from Financing Activities:			
Proceeds from Stock Advances	1,626,901	-	2,831,263
Proceeds from related party /Bank	392,083	255,139	2,143,892
Debt reduction related party / Payments in advance	(600,594)	-	(2,143,892)
Net Cash Flows from Financing Activities	1,418,390	255,139	2,831,263
Change in Cash due to Foreign Currency Translation Adjustment	(240,836)	52,446	(3,450)
Net Increase (Decrease) in Cash	532,619	(36,058)	564,800
Cash at the Beginning of the Period	32,181	38,061	-
Cash at the End of the Period	\$ 564,800	\$ 2,003	\$ 564,800
Income taxes paid	-	-	-
Interest expense paid	-	-	-

The notes are an integral part of these financial statements

LEO MOTORS, INC.

(a development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Leo Motors, Inc, Inc. (the “Company”) was originally incorporated as Classic Auto Accessories, a California Corporation on July 2, 1986. The Company then underwent several name changes from FCR Automotive Group, Inc. to Shini Precision Machinery, Inc. to Simco America Inc. and then to Leo Motors. The Company had been dormant since 1989, and effectuated a reverse merger on November 12, 2007 with Leozone Inc., a South Korean Company, which is the maker of electrical transportation devices. The merger essentially exchanges shares in Leo Motors, Inc. for shares in Leozone. As this is a reverse merger the accounting treatment of such is that of a combination of the two entities with the activity of Leozone, Inc. the surviving entity, going forward.

The Company is a development stage enterprise under SFAS No. 7, as principal operations have begun but the Company has not realized substantial revenues.

Basis of Presentation and Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The company has incurred material losses. These conditions raise substantial doubt as to the Company's ability to continue as a growing concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure 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.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable inventory and prepaid expenses, accounts payable and deferred revenues, the carrying amounts approximate fair value due to their short maturities.

Revenue Recognition

Revenues are recognized upon sale and shipment of the product.

Accounts receivables of the Company are reviewed to determine if their carrying value has become impaired.

The Company considers the assets to be impaired if the balances are greater than six months old. Management regularly reviews accounts receivable and will establish an allowance for potentially uncollectible amounts when appropriate. When accounts are written off, they will be charged against the allowance. Receivables are not collateralized and do not bear interest. The Company has established a reserve on receivables of \$11,735.

Concentration of Credit Risk

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents.

The Company maintains its cash in well-known banks selected based upon management's assessment of the bank's financial stability. Balances may periodically exceed the \$250,000 federal depository insurance limit; however, the Company has not experienced any losses on deposits. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, as required.

Cash Equivalents

For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalent.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which is generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company will periodically evaluate whether events and circumstances have occurred that may warrant revision of the estimated useful lives of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. We use an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income and its components in the financial statements.

The functional currency of the Company is the Korean Won. Assets and liabilities are translated to U.S. Dollars at the period-end exchange rates (\$.0007584166) and (\$.000955292) respectively and revenues and expenses are translated at weighted average exchange rates for the period, which was (.000742274) and (.001009135) respectively. Resulting translation adjustments are recorded as a component of stockholders' equity in other comprehensive income (loss).

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Company accounts for income taxes under SFAS 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Loss per Share

In accordance with SFAS No. 128, "Earnings Per Share," the basic income / (loss) per common share is computed by dividing net income / (loss) available to common stockholders by the weighted average number of common shares outstanding. Diluted income per common share is computed similar to basic income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes and encourages the use of the fair value based method of accounting for stock-based compensation arrangements under which compensation cost is determined using the fair value of stock-based compensation determined as of the date of grant and is recognized over the periods in which the related services are rendered. For stock based compensation the Company recognizes an expense in accordance with SFAS No. 123 and values the equity securities based on the fair value of the security on the date of grant. Stock option awards are valued using the Black-Scholes option-pricing model.

For the year ended December 31, 2008 the Company issued 1,300,800 shares, 1,000,000 for a reduction of debt and 300,000 for services both valued at market at .11 per share. The shares for services were recognized as an expense in general and administrative at \$33,000.

For the quarter ended March 31, 2009 the Company issued 4,333,334 shares, 833,334 for cash and the balance valued at market at .50 and recognized a stock for services expense of \$1,750,000.

For the quarter ended June 30, 2009 1,691,666 shares were issued valued at market of .17 and recognized a stock for services expense of \$287,584.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (FAS 141(R)). This Statement provides greater consistency in the accounting and financial reporting of business combinations. It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose the nature and financial effect of the business combination. FAS 141(R) is effective for fiscal years beginning after

December 15, 2008. We will adopt FAS 141(R) no later than the first quarter of fiscal 2009 and are currently assessing the impact the adoption will have on our financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (FAS 160). This Statement amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 is effective for fiscal years beginning after December 15, 2008. We will adopt FAS 160 no later than the first quarter of fiscal 2009 and are currently assessing the impact the adoption will have on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, which permits entities to choose to measure at fair value eligible financial instruments and certain other items that are not currently required to be measured at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We have adopted SFAS No. 159 which has had no impact on our financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS No. 158 requires company plan sponsors to display the net over- or under-funded position of a defined benefit postretirement plan as an asset or liability, with any unrecognized prior service costs, transition obligations or actuarial gains/losses reported as a component of other comprehensive income in shareholders' equity. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. We adopted the recognition provisions of SFAS No. 158 as of the end of fiscal 2007. The adoption of SFAS No. 158 did not have an effect on the Company's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the application of SFAS No. 157 may change current practice for some entities. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We have adopted SFAS No. 157 and it has had no impact on our financial position and results of operations.

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109 (FIN 48). This interpretation clarifies the application of SFAS No. 109, Accounting for Income Taxes, by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements and also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, but earlier adoption is permitted. The Company has adopted this and there is no impact of the application of the Interpretation to its financial statements.

NOTE 3 – EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the period.

NOTE 4-ACCOUNTS RECEIVABLE

The Company recognizes a receivable on sales of parts and electrical motor equipment. The Company has established a reserve for allowance for doubtful accounts in 2008 equal to \$11,735.

NOTE 5-INVENTORY

The Company accounts for its inventory under the FIFO method and lower of cost or market method of costing. The company's inventory consists of parts for the electric transportation industry.

NOTE 6-FIXED ASSETS

The Company's assets consist of the following:	6/09	12/31/08
Furniture Fixtures and Equipment	\$172,985	\$41,007
Less Accumulated Depreciation	(41,757)	(35,067)
Net	\$ 131,228	\$ 5,940

The Company depreciates its assets over useful lives of between 3 and 7 years. Depreciation expense was \$5,940 in 2009.

NOTE 7-DUE TO RELATED PARTY

The company at June 30, 2009 owed \$600,397 for officer advances; repayment is without interest on demand.

NOTE 8-PAYMENTS RECEIVED IN ADVANCE

The Company during the periods received payments from potential customers, or deposits, on future orders. The Company's policy is to record these payments as a liability until the product is completed and shipped to the customer at which the Company recognizes revenue.

NOTE 9-BANK LOAN

The Company is indebted to Shin Han Bank at June 30, 2009 for \$392,083 payable within one year, interest at prime.

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

FORWARD LOOKING STATEMENTS: STATEMENTS ABOUT OUR FUTURE EXPECTATIONS ARE "FORWARD-LOOKING STATEMENTS" AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. WHEN USED HEREIN, THE WORDS "MAY," "WILL," "SHOULD," "ANTICIPATE," "BELIEVE," "APPEAR," "INTEND," "PLAN," "EXPECT," "ESTIMATE," "APPROXIMATE," AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES INHERENT IN OUR BUSINESS, INCLUDING THOSE SET FORTH UNDER THE CAPTION "RISK FACTORS," IN THIS DISCLOSURE STATEMENT, AND ARE SUBJECT TO CHANGE AT ANY TIME. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THESE FORWARD-LOOKING STATEMENTS. THIS FORM 10-Q DOES NOT HAVE ANY STATUTORY SAFE HARBOR FOR THIS FORWARD LOOKING STATEMENT. WE UNDERTAKE NO OBLIGATION TO UPDATE PUBLICLY ANY FORWARD-LOOKING STATEMENT.

This Management's Discussion and Analysis should be read in conjunction with the financial statements included in this Quarterly Report on Form 10-Q (the "Financial Statements"). The financial statements have been prepared in accordance with generally accepted accounting policies in the United States ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in United States dollars.

Business Developments

During the quarter ended June 30, 2009 and the interim period through the date hereof, we have focused our efforts on seeking financing, preparing models of our EVs for order-basis manufacturing, negotiating manufacturing partnerships and attempting to procure advanced orders. Our specific near and long term goals are:

- Production and sale of our electric scooters by October 2009
- Production and sale of S 65 SUV and SKG electric car by the end of 2009
- Production and sale of Reverse Tricycle Scooters by October 2009
- Marketing of our EV conversion kit and conversion services by the end of 2009
- Testing of EV conversion kit on Toyota RAV-4 model during September 2009
- Manufacture and sale of our power storage system for solar and wind power houses and buildings by October 2009

On April 23, 2009, we entered into a manufacturing agreement with Chulin Home Tech Co., Ltd. for the production of our Electric Motorcycle. The agreement anticipates over 2,000 unit orders per year but does not require minimum orders or payments. The price per unit will need to be agreed between the parties at a later date.

In April 2009, we completed testing of the EV conversion kit on the Kia Morning model. The conversion kit included our 300 volt Battery Management System, a 60kW water-cooled AC motor with controller, lithium polymer power pack, and a home charger. Until we find a partner to supply vehicle bodies, we intend to market the conversion kit as well as conversion services.

In March 2009, we developed our electric motorcycle. We have entered into sales agreement for this e-motorcycle with Bike Lease, subject to successful product testing by Bike Lease. If the product

successfully completes testing, the agreement calls for a minimum of 3,000 units in the first year. We have signed an agreement with Chulin to manufacture the motorcycles.

In addition, our battery power pack for EV was requested to be developed as the power storage system for wind or solar powered buildings and generators by the customers in Japan, Korea, and UAE. We intend to finish the prototype for these power packs during September 2009, and plan to sell to the customers from October.

Liquidity and Capital Resources

Our liquidity requirements arise principally from our plans to develop EV production capability or production partnerships, additional product development, and marketing costs. Although in the future we intend to fund our liquidity requirements through a combination of cash on hand and revenues from operations, during the second quarter of 2009, the Company had incurred \$947,544 in expenses and had realized \$29,128 in revenues with \$ 25,063 in cost of goods sold. Accordingly, our ability to initiate our plan of operations and continue as a going concern is currently dependent on our ability to raise external capital.

To date we have raised approximately \$840,000 in debt financing, including a loan from one of our officers of \$440,000. In addition, in May, 2009, the Company secured a loan from Shin Han Bank for 500,000,000 Korean Won (approximately \$400,000), with a term of one year which can be extended under certain conditions. The loan is guaranteed by KIBO Technology Fund.

To date we have raised approximately \$936,200 in equity financing. During the quarter, we raised approximately \$119,200 in equity financing on the issuance of shares of common stock to a Korean individual investor.

As we have not generated significant revenues and have not raised a significant amount of equity or debt financing to date, there is substantial doubt as to our ability to continue in the short term and long term as a going concern. Our plan in the short term is to continue our operations at their current level, which our current cash holdings will cover through fiscal 2009. Our long term survival will depend on the growth of our operations towards full scale manufacturing and sales of our EVs, which in turn will depend on our ability to raise sufficient financing. If our fund raising efforts should fail or fall short of our goal, we will have to restructure our business plan in order to sustain our operations. However, in that event we may be unable to implement our business plan or continue operations.

Results of Operations

Revenues

The Sales for the quarter ended June 30, 2009 were \$29,128 compared to \$0 for the quarter ended June 30, 2008. Costs of sales were \$25,063 and gross profit was \$4,065 compared to \$0 as costs of sales and \$0 as gross profit in the same period in 2008. The sales during this quarter were not generated from regular business as most of our sales are for our product samples or development services. We believe recurring revenue will begin this year as our goal is to begin mass production and marketing of our designs.

Expenses

During the quarter, we incurred \$947,544 in expenses, compared to \$207,865 in the quarter ended June 30, 2008. The primary increase was due to a \$320,101, or 341% increase in General and Administrative expenses, which reflects the payment of consulting service fees and development costs.

Expenses for the quarter consisted of the following:

Expenses:	2008	2007
Salaries and Benefits	236,131	116,581
Service Fees	31,201	18,757
Service Fees paid by stock	287,584	-
General and Administrative	392,628	72,527

Salaries and Benefits – consist of total cash compensation paid to our employees during the year and the cost of all benefits provided to our employees.

Service Fees – consist of consist of accounting, legal, and professional fees.

General and Administrative – consists of travel expenses, entertainment expenses, communication expenses, utilities, taxes & dues, depreciation expenses, rent, repairs, vehicle maintenance, ordinary development expenses, shipping, education & training, printing, storage, advertising, insurance, office supplies and expense, payroll expenses, investor referral fees and other miscellaneous expenses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive and Principal Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2009. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized, and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2009.

Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On May 11, 2009, the Company issued 1,250,000 shares to a creditor of the Company in consideration for the reduction of debt, valued at \$212,500. This issuance was completed in accordance with Section 4(2) of the Securities Act and Regulation D in an offering without any public offering or distribution. These shares are restricted securities and include an appropriate restrictive legend.

On May 11, 2009, the Company issued a total of 291,666 shares to three consultants in consideration for consulting services valued at \$35,584. These issuances were completed in accordance with Section 4(2) of the Securities Act and Regulation D in an offering without any public offering or distribution. These shares are restricted securities and include an appropriate restrictive legend.

On May 11, 2009, the Company issued 250,000 shares of common stock to a Korean individual investor in exchange for 150,000,000 Korean Won (approximately \$119,200). This issuance was completed as an offer and sale of securities made outside of the United States pursuant to Regulation S.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

The following exhibits are filed as part of this quarterly report on Form 10-Q:

- 10.9 Loan Agreement with Shinhan Bank dated May 27, 2009.
- 10.10 Letter of Guarantee by KIBO Technology Fund dated May 27, 2009.
- 31.1 Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 20, 2009

LEO MOTORS, INC.
(the registrant)

By: \s\ Shi Chul Kang
Shi Chul Kang
Chief Executive Officer
and Interim Chief Financial Officer

CERTIFICATIONS

I, Shi Chul Kang, certify that:

1. I have reviewed this Report on Form 10-Q of Leo Motors, Inc. (the “Company”) for the period ending June 30, 2009;
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 Company as of, and for, the periods presented in this report;
4. I am 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 Company, 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 Company’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 Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’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 Company’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 Company’s internal control over financial reporting.

Date: August 20, 2009

By: \s\ Shi Chul Kang

Shi Chul Kang

Chief Executive Officer and Interim Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)**

In connection with the Report of Leo Motors, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shi Chul Kang, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 20, 2009

By: \s\ Shi Chul Kang
Shi Chul Kang
Chief Executive Officer
and Interim Chief Financial Officer