

**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, 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)

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 September 30, 2009 was 40,363,115 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**  
*September 30, 2009*

	<b>September 30, 2009</b> ( Unaudited)	<b>December 31, 2009</b> (Audited)
<b>Current Assets</b>		
Cash	\$ 302,907	\$ 32,181
Accounts Receivable, Net	32,817	13,854
Note Receivable		
Inventories	73,861	35,575
Other current assets	281,425	130,568
<b>Total Current Assets</b>	<u>691,010</u>	<u>212,178</u>
Property and Equipment, Net	269,221	5,940
Deposits	-	63,104
Intangible Assets	1,678,369	-
<b>Total Other Assets</b>	<u>1,947,590</u>	<u>69,044</u>
<b>Total Assets</b>	<u>\$ 2,638,600</u>	<u>\$ 281,222</u>
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 108,262	\$ 16,850
Taxes payable	7,549	2,080
Payments Received in Advance	117,495	396,197
Related Party Payable	626,945	804,794
Short-Term Borrowing	420,628	-
<b>Total Current Liabilities</b>	<u>1,280,879</u>	<u>1,219,921</u>
<b>Tenant Rent Deposit Payable</b>	<u>8,414</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,289,293</u>	<u>1,219,921</u>
<b>Shareholders' Equity (Deficit)</b>		
Minority Interest	390,017	-
Common Stock (100,000,000 shares authorized; \$0.001 par 40,363,115 and 31,613,115 shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively)	40,363	31,613
Additional Paid-in Capital	5,588,391	323,351
Comprehensive Loss - Translation	69,712	237,386
Deficit	(4,739,176)	(1,531,049)
<b>Total Shareholders' Equity (Deficit)</b>	<u>1,349,307</u>	<u>(938,699)</u>
<b>Total Liabilities and Shareholders' Equity (Deficit)</b>	<u>\$ 2,638,600</u>	<u>\$ 281,222</u>

*The notes are an integral part of these financial statements*

# LEO MOTORS, INC.

(a development stage company)

## CONSOLIDATED STATEMENT OF OPERATIONS For the Nine Months Ended September 30, 2009 and 2008

	Nine-months ended September 30,	
	2009	2008
Sales	\$ 512,681	\$ 3,479
Cost of Goods Sold	<u>242,518</u>	<u>1,369</u>
<b>Gross Profit</b>	270,163	2,110
<b>OPERATING COSTS AND EXPENSES</b>		
Salaries and Benefits	370,541	343,997
Service Fees	331,177	45,140
Selling, General and Administrative	<u>220,150</u>	<u>285,772</u>
<b>TOTAL OPERATING COSTS AND EXPENSES</b>	921,868	674,909
<b>NET LOSS FROM OPERATIONS</b>	(651,705)	(672,799)
<b>OTHER INCOME (EXPENSE)</b>		
Non-Operating Income	88,386	(89)
Non-Operating Expenses	<u>(59,839)</u>	<u>-</u>
<b>NET INCOME (LOSS) BEFORE INCOME TAX BENEFIT</b>	(623,158)	(672,888)
<b>INCOME TAX</b>		
Current Income Taxes	-	-
Deferred Income Taxes	-	-
Income Tax Benefit	<u>-</u>	<u>-</u>
Minority Interest	<u>55,642</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	\$ <u>(567,516)</u>	\$ <u>(672,888)</u>
<b>NET INCOME PER SHARE</b>	\$ <u>(0.015)</u>	\$ <u>(0.022)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	38,088,923	30,462,315

*The notes are an integral part of these financial statements*

# **LEO MOTORS, INC.**

(a development stage company)

## CONSOLIDATED STATEMENT OF CASH FLOWS For the Nine Months Ended September 30, 2009 and 2008

	Nine-months ended	
	September 30, 2009	September 30, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (567,516)	(672,888)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Stock for services	-	60,000
Foreign Currency Translations	(167,674)	-
Depreciation	23,432	6,151
Comprehensive loss - foreign currency	-	259,852
<b>Changes in operating assets and liabilities:</b>		
Decrease (Increase) in accounts receivable	(18,963)	6
Decrease (Increase) in inventories	(38,286)	5,043
Decrease (Increase) in other current assets	(150,857)	74,389
Increase (Decrease) in accounts payable and accrued liabilities	91,412	14,311
Increase (Decrease) in taxes	5,469	(142,508)
<b>Net cash provided by (used in) operating activities</b>	<b>(822,983)</b>	<b>(395,644)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(286,713)	(8,035)
Loss in investment in a closely held-company	-	-
Deposit refunded	63,104	-
Expenditure for intangible assets	(1,678,369)	-
<b>Net cash provided by (used in) investing activities</b>	<b>(1,901,978)</b>	<b>(8,035)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in equity	2,633,179	-
Increase (Decrease) in interest payable	-	-
Increase in Payments Received in Advance	(278,702)	-
Proceeds ( Repaid) from related party	(177,849)	374,887
Proceeds from Short-Term Borrowing	420,628	-
Tenant Rent Deposit Payable	8,414	-
Minority Interest Investment	390,017	-
<b>Net cash provided by (used in) financing activities</b>	<b>2,995,687</b>	<b>374,887</b>
<b>Net increase (decrease) in cash</b>	<b>270,726</b>	<b>(28,792)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>32,181</b>	<b>38,061</b>
<b>CASH, ENDING OF PERIOD</b>	<b>302,907</b>	<b>9,269</b>
<b>SUPPLEMENTAL DISCLOSURES ON INTEREST AND INCOME TAXES PAID</b>		
Interest paid for the period	5,722	-
Income taxes paid for the period	-	-

*The notes are an integral part of these financial statements*

# ***LEO MOTORS, INC.***

(a development stage company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*September 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 Shinil 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**

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.

## **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 ("KRW"). Assets and liabilities are translated to U.S. Dollars ("USD") at the period-end exchange rates of 0.0008412550 KRW to \$ 1.00 USD and revenues and expenses are translated at weighted average exchange rates for the period, which was 0.000761783 KRW to \$ 1.00 USD . 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.

For the quarter ended September 30, 2009, the Company issued 2,725,000 shares, 2,600,000 for cash, 125,000 for services valued at \$47,500.

## **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 2 - 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 3-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 4-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 5-FIXED ASSETS**

The Company's assets consist of the following:

	<u>09/30/09</u>	<u>12/31/08</u>
Furniture Fixtures and Equipment	\$170,850	\$ 41,007
Less Accumulated Depreciation	<u>(25,876)</u>	<u>(35,067)</u>
Net	\$144,974	\$ 5,940

The Company depreciates its assets over useful lives of between 3 and 7 years. Depreciation expense was \$23,432 in 2009.

## **NOTE 6-DUE TO RELATED PARTY**

The company at September 30, 2009 owed \$ 626,945 for officer advances; repayment is without interest on demand.

## **NOTE 7-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 8-BANK LOAN**

The Company is indebted to Shin Han Bank at September 30, 2009 for \$ 420,628 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.

### ***Overview***

Leo Motors, Inc. (the "Company") is currently in the process of finalizing the design and production capability of electric power train systems encompassing electric scooters, electric sedan/SUV/sports cars, and electric buses/trucks as well as several models of Electric Vehicles ("EV"). During this year, we have developed electric power train systems which can replace internal combustion engines ("ICE"), and can electrify existing IEC cars. During the past two years, we have developed several models of EV, including electric scooters, electric cars, and neighborhood electric vehicles ("NEV"). We also have several other projects in development stages.

We have begun to market our three models of electric scooters: Hillless 1,3, and 5. Initially, we produced 100 units which were sold out to the dealers who will sell our scooters in Korea, in Japan, and in the U.S. We tested our EV conversion kit during September, 2009 and exhibited the kits in Tokyo and Seoul, and have since sold kits and conversion services in Japan and Korea. We have also successfully manufactured and sold our power storage system for solar and wind powered houses and buildings, and

Our next immediate goals include production and sale of S 65 SUV and SKG electric car by the end of 2009, which are to be sold based on order. We are ready to produce these models using existing body and chassis, and putting our electric power train systems. We are going to start marketing S65 and SGK from December 2009. We also hope to begin sale of EVs in the United States by the end of 2009. As an effort to attain this goal, we are participating in 2009 International Motorcycle Show in Long Beach, California from December 4 to December 5, 2009.

The Reverse Tricycle Scooters have had a change in design of the vehicle into four wheelers in order to make more speed and to ensure more safety. The prototype of the changed model will be completed around late November. After we monitor the responses from the market, we will arrange for manufacturing capabilities.

We have developed and are in the process of developing several key EV components that we believe will be competitive with industry leading technology. During the next twelve months, we intend to continue the development of these components, integrate them into our own EVs, and market them to other EV manufacturers.

***Liquidity and Capital Resources***

Our liquidity requirements arise principally from our plans to develop EV production capability, 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 nine months ended September 30 of 2009, the Company had incurred \$921,868 in expenses and had realized \$512,681 in revenues with \$ 242,518 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. Our monthly expense has increased gradually from the prior quarter to a minimum of \$70,000 per month to operate our regular business, and we are currently seeking financing in Korea to implement our business plan.

The EV and general automotive industries are extremely capital intensive, and we will need substantial additional financing in order to produce and sell our EVs. Our anticipated minimum costs of implementing our business plan in 2009 are summarized as follows:

<u>STEP</u>	<u>ANTICIPATED COST</u>
Initial Prototypes	\$ 1,000,000
EV Testing	\$ 300,000
Component Development	\$ 2,000,000
Production Capability	\$ 500,000
Production of Inventory	\$ 100,000
Marketing & Sales	<u>\$ 200,000</u>
TOTAL	\$ 4,100,000

To date in 2009, we have raised 2,595,000,000 Korea Won financing, approximately \$2,072,000 as follows:

<u>Date</u>	<u>Amount</u>	<u>Financing Type</u>	<u>Investor</u>
January	\$417,000	Equity	Sang Tae Kim
May 27	\$400,000	Debt	Shin Han Bank
May 30	\$440,000	Debt	Officers
July 14	\$400,000	Equity	Robert Kang
Oct 15	<u>\$415,000</u>	Equity	Korean Individuals
Total	2,072,000		

We have raised 840,000 in debt financing. KIBO fund, a Korean government operated fund for middle sized company with a advanced technology, issued a guaranteed bond in the amount of 500,000,000 Korean Won after they evaluated our technology. We borrowed 500,000,000 Korean Won as a short-term loan from Shin Han Bank by the bond.

As we have not generated significant revenues and have not raised a significant amount of equity 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 and to keep the revenue and profit stable. 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 nine months ended September 30, 2009 were \$512,681 compared to \$3,479 for the nine months ended September 30, 2008. Costs of sales were \$242,518 and gross profit was \$270,163 compared to \$1,369 as costs of sales and \$2,110 gross profit in the same period in 2008. Sales during the third 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 at the fourth quarter of this year as our goal is to begin mass production and marketing of our designs.

#### *Expenses*

During the nine months ended September 30, 2009, we incurred \$921,868 in expenses, compared to \$647,909 as of the end of September 30 2008. The primary increase was due to payment of consulting service fees and development costs. We also hired R&D and sales staff as part of the implementation of our business. The company rented another building near its existing office to operate its sales and administration division.

Expenses for the quarter consisted of the following:

<b>Expenses:</b>		<b>2008</b>		<b>2007</b>
Salaries and Benefits	\$	370,541	\$	343,997
Service Fees		331,177		45,140
General and Administrative		220,150		285,772

*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 Chief Executive Officer and Interim Chief Financial Officer (the "Certifying Officer") maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed, is accumulated and communicated to management timely. Under the supervision and with the participation of management, the Certifying Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule [13a-14(c)/15d-14(c)] under the Exchange Act) within 45 days prior to the filing date of this report. Based upon that evaluation, the Certifying Officer concluded that our disclosure controls and procedures are not effective in timely alerting them to material information relative to our company required to be disclosed in our periodic filings with the SEC.

### ***Changes in Internal Controls***

There were no changes in our internal control over financial reporting during the quarter ended September 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 August 20, 2009 we issued 2,600,000 shares to two Korean individuals in exchange for approximately \$1,170,000. The shares were sold and issued in an offering outside of the United States in accordance with Regulation S.

On August 20, 2009 we issued 50,000 shares for Services valued at \$22,500. 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 September 21, 2009 we issued 75,000 shares for Services valued at \$45,000. 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 October 15, 2009, we issued 300,000 shares to Dr. Kim in consideration for joining the Company's Board of Directors. The shares were valued at market of \$0.59. The shares were issued to a Korean individual in an offering outside of the United States in accordance with 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:

- 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: November 20, 2009

LEO MOTORS, INC.  
(the registrant)

By: \s\ Robert Kang  
Robert Kang  
Chief Executive Officer  
and Interim Chief Financial Officer

**CERTIFICATIONS**

I, Robert Kang, certify that:

1. I have reviewed this Report on Form 10-Q of Leo Motors, Inc. (the "Company") for the period ending September 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)) for the Company 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) 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
  - (c) 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: November 20, 2009

By: \s\ Robert Kang  
Robert 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 September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert 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: November 20, 2009

By: \s\ Robert Kang  
Robert Kang  
Chief Executive Officer  
and Interim Chief Financial Officer