UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2010

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 [x] 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	[ ]	Accelerated filer	[ ]
Non-accelerated filer (Do not check if a smaller reporting company)	[ ]	Smaller reporting company	[x]

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

The number of shares of the registrant's common stock outstanding as of June 30, 2010 was 50,783,115 shares.

LEO MOTORS, INC.

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PART I. FINANCIAL INFORMATION.

ITEM 1. CONDENSED CONSONSOLIDATED INTERIM FINANCIAL STATEMENTS

LEO MOTORS, INC.

CONSOLIDATED BALANCE SHEETS

June 30, 2010

ASSETS		As of June 30, 2010 (Unaudited)		As of December 31, 2009 (Audited-Restated)
CURRENT ASSETS				
Cash in banks	$	851,289	$	499,025
Accounts Receivable-net of allowance of $ 8,394 and $ 11,735, respectively		12,377		244,670
Inventory		2,339,254		395,001
Prepaid costs and other current assets		1,552,814		151,067
TOTAL CURRENT ASSETS		4,755,734		1,289,763
Fixed assets- net of accumulated depreciation		264,485		157,981
Deposit		165,059		107,640
Investment in net equity interest		10,850,000		-
TOTAL OTHER ASSETS		11,279,544		265,621
TOTAL ASSETS	$	16,035,278	$	1,555,384
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Commitments and Contingencies				
CURRENT LIABILITIES				
Short term borrowings	$	413,121	$	428,229
Accounts payable and accrued expenses		649,477		433,004
Other payables		311,531		5,847
Taxes Payable		-		-
Payments received in advance from customers		2,958,108		296,167
Related party payable		-		-
TOTAL CURRENT LIABILITIES		4,332,237		1,163,247
Accrued severance benefits		26,624		30,031
TOTAL LIABILIITIES		4,358,861		1,193,278
Minority interest		1,055,861		1,020,428
STOCKHOLDERS' EQUITY (DEFICIT)				
Common stock, Authorized 100,000,000 Shares, $0.001 par value, 50,783,115 and 40,708,115 shares issued and outstanding		50,783		40,708
Additional paid-in capital		19,262,850		3,964,160
Comprehensive income (Loss)		1,394,890		406,476
Deficit		(10,087,968)		(5,069,666)
TOTAL STOCKHOLDERS' Deficit		10,620,555		(658,322)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$	16,035,278	$	1,555,384

The notes are an integral part of these financial statements

LEO MOTORS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

For the Three and Six Months Ended June 30, 2010 and 2009

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Sales	$ 554,159	$ 29,128	$ 566,622	$ 389,009
Cost of Goods Sold	472,818	25,063	480,158	233,266
Gross Profit	81,341	4,065	86,464	155,743
OPERATING COSTS AND EXPENSES				
Salaries and Benefits	122,113	236,131	4,564,718	262,345
Service Fees	77,122	31,201	222,663	65,753
Selling, General and Administrative	331,041	680,212	761,765	2,465,207
TOTAL OPERATING COSTS AND EXPENSES	530,276	947,544	5,549,146	2,793,305
NET LOSS FROM OPERATIONS	(448,935)	(943,479)	(5,462,682)	(2,637,562)
OTHER INCOME (EXPENSE)				
Non-Operating Income	846	-	9,871	-
Non-Operating Expenses	(7,005)	(18,752)	(17,723)	(3,049)
NET INCOME (LOSS) BEFORE INCOME TAX BENEFIT	(455,094)	(962,231)	(5,470,534)	(2,640,611)
INCOME TAX				
Current Income Taxes	-	-	-	-
Deferred Income Taxes	-	-	-	-
Income Tax Benefit	-	-	-	-
Attributable to minority interest	(203,030)	-	(452,232)	-
NET INCOME (LOSS)	$ (252,064)	$ (962,231)	$ (5,018,302)	$ (2,640,611)
NET INCOME PER SHARE	$ (0.00)	$ (0.03)	$ (0.11)	$ (0.08)
WEIGHTED AVERAGE NUMBER OF COMMOMN SHARES OUTSTANDING	50,783,115	36,792,282	46,737,286	34,625,615
COMPREHENSIVE INCOME (LOSS)				
NET LOSS	$ (252,064)	$ (962,231)	$ (5,018,302)	$ (2,640,611)
Currency transaction gain (loss)	988,414	(1,231)	988,414	(1,029)
COMPREHENSIVE LOSS	$ 736,350	$ (963,462)	$ (4,029,888)	$ (2,641,640)

The notes are an integral part of these financial statements

LEO MOTORS, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

For the Six Months Ended June 30, 2010 and 2009

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Comprehensive income(Loss)	Retained Earnings (Deficit)	Total
Balance, January 1, 2010	40,708,115	$ 40,708	$ 3,964,160	$ 406,476	$ (5,069,666)	$ (658,322)
Common stock issued for compensation, Feb 8, 2010	3,075,000	3,075	4,455,690			4,458,765
Common stock issued for acquisition of BnT Co. ltd.	7,000,000	7,000	10,843,000			10,850,000
Foreign currency translation adjustment				988,414		988,414
Net loss for the year ended December 31, 2009					(5,018,302)	(5,018,302)
Balance, June 30, 2010	50,783,115	$ 50,783	$ 19,262,850	$ 1,394,890	$ (10,087,968)	$ 10,620,555

The notes are an integral part of these financial statements

LEO MOTORS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2010 and 2009

(Unaudited)

	Six Months Ended	
	June 30, 2010	**June 30, 2009**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (5,018,302)	$ (2,640,611)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock for services	4,458,766	2,037,584
Depreciation	53,950	5,940
Loss on disposition of property and equipment	130	-
Changes in operating assets and liabilities:		
Decrease (Increase) in accounts receivable	232,293	(32,560)
Decrease (Increase) in inventories	(1,944,253)	30,400
Decrease (Increase) in deposit and prepaid	(1,401,747)	2,215
Increase (Decrease) in accounts payable and accrued liabilities	216,473	83,325
Increase (Decrease) in other payable	305,684	-
Increase (Decrease) in advance from customers	2,661,941	-
Increase (Decrease) in accrued severance benefits	(3,407)	-
Net cash provided by (used in) operating activities	(438,472)	(513,707)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in net equity interest	(10,850,000)	-
Purchase of property and equipment	-	-
Loss in investment in a closely held-company	-	-
Outlay for deposit	(57,419)	-
Net cash provided by (used in) investing activities	(10,907,419)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued to invest in net equity interest	10,850,000	-
Proceeds from short-term borrowing	(15,108)	-
Increase (Decrease) in interest payable	-	-
Increase in minority interest	35,433	-
Proceeds (Repaid) from advance from customers	-	1,626,901
Proceeds from related party/bank	-	392,083
Debt reduction - related party and payment in advance	-	(600,594)
Minority Interest Investment	-	-
Net cash provided by (used in) financing activities	10,870,325	1,418,390
Change in cash due to foreign currency translation adjustment	988,414	(372,064)
Net increase (decrease) in cash	512,848	532,619
CASH, BEGINNING OF PERIOD	499,025	32,181
CASH, END OF PERIOD	$ 1,011,873.0	$ 564,800.0
Supplemental Disclosures on Interest and Income Taxes Paid		
Interest paid for the period	$ -	$ -
Income taxes paid for the period	$ -	$ -

The notes are an integral part of these financial statements

LEO MOTORS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - BACKGROUND

Company Business

Leo Motors, Inc. (the "Company") is engaged in the development, assembly and sales of electric vehicles (“EVs”).

Background

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant account policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and the notes are the representation of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles (“USGAAP”) and have been consistently applied in the preparation of the financial statements.

Basis of Presentation and Consolidation

These financial statements and related notes are expressed in US dollars. The Company’s fiscal year-end is December 31. The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

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

The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements". In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. The following policies reflect specific criteria for the various revenues streams of the Company:

The Company generates revenue from the delivery of goods and records revenues when the sales are completed, already collected or collectability is reasonably assured, there is no future obligation and there is remote chance of future claim or refund to the customers.

Revenue from periodic maintenance agreements is generally recognized ratably over the respective maintenance periods provided no significant obligations remain and collectability of the related receivable is probable.

Revenue from the performance of services is recognized upon completion of the service.

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 anticipates adopting a warranty and return policy granting a one year limited warranty. The policy will warrant that the products will be free from defects in material and workmanship and meet Seller's published specifications at the time of shipment under normal use and regular service and maintenance. The Company is evaluating the accounting treatment for product returns and warranties and will provide an allowance at the time of sale.

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.

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 one-year 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 potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and trade accounts receivable. The Company places its cash with high credit quality financial institutions in Korea. The Company has not experienced any losses in such bank accounts through June 30, 2010. At June 30, 2010, our bank deposits were $851,289.

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

The Company follows ASC Topic 220 Comprehensive Income, formerly Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which 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 ($.000826241) and ($.0007584166) respectively and revenues and expenses are translated at weighted average exchange rates for the period, which was ($.000866664) and ($.000742274) 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 ASC Topic 740, formerly SFAS 109, "Accounting for Income Taxes." Under the asset and liability method, 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. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. ASC Topic 740 also requires that uncertain tax positions are evaluated in a two-step process whereby (1) it is determined whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with the related tax authority would be recognized

Loss per Share

In accordance with ASC Topic 260 formerly 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.

Consulting and Service Fees

Consulting and Service Fees consist of accounting, legal, and professional fees and for the period, most of it was paid in common stock.

Research and Development

According to Statement of Financial Accounting Standards No 2, research and product development costs are expensed as incurred.

Stock-Based Compensation

The Company has adopted ASC Topic 718, formerly SFAS No. 123, "Accounting for Stock-Based Compensation," which 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.

Foreign Currency Translation

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Transactions and balances in other currencies are converted into U.S. dollars in accordance with ASC Topic 830-20, formerly SFAS No. 52, "Foreign Currency Translation", and are included in determining net income or loss.

The Company's reporting currency is the U.S. dollar. The functional currency of the Company's Korean subsidiaries is the Korean Won (KRW). For foreign operations with the local currency as the functional currency, assets and liabilities are translated from the local currencies into U.S. dollars at the exchange rate prevailing at the balance sheet date and weighted average rates of exchange for the period for revenues, costs, and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of operations. The cumulative translation adjustment and effect of exchange rate changes on cash at June 30, 2010 was $576,588. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining accumulated comprehensive loss. As of June 30, 2010 and for the period then ended, the exchange rate for the local currency, KRW was $ 1 USD for 1,129 and 1,144 KRW, respectively.

Recent Accounting Pronouncements and Impact of New Accounting Standards

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position, or cash flow.

NOTE 3 - EARNINGS PER SHARE

Basic loss per share are calculated by dividing net loss 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 June 30, 2010 balance of accounts receivable was $12,377, net of reserve for doubtful accounts.

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. As of June 30, 2010, the inventory consisted of:

Raw materials	$ -
Work in Process	2,339,254
Finished goods	-
TOTAL	$ 810,198

NOTE 6 - FIXED ASSETS

The Company's fixed assets consist of the following:

Structures	$ 2,545
Vehicles	78,127
Tools	36,282
Equipment, furniture , fixtures and equipment	246,245
	363,208
Less Accumulated Depreciation	(98,723)
Net	$ 264,485

The Company depreciates it assets over useful lives of between 3 and 7 years. Depreciation expense was $53,950 for the six month period ended June 30, 2010.

NOTE 7 - INVESTMENT IN NET EQUITY OF LEO BNT CO., LTD

On February 11, 2010, Leo Motors, Inc. (the "Company") entered into an agreement to purchase 50% of Leo BnT Co. Ltd, a Korean Corporation ("BNT"), from two shareholders of BNT in exchange for 7,000,000 shares of the Company's common stock. The purchase price was valued at $ 1.55 per share or $10,850,000.

NOTE 8 - DUE TO RELATED PARTY

The company is indebted to its officer for advances. Repayment is on demand without interest. The Company reduced this obligation by the issuance of 1,000,800 valued at $110,088 during 2008 and cash repayment in 2009.

NOTE 9 - 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. As of June 30, 2010, the balance of payments received in advance was $2,958,108.

NOTE 10 - BANK LOAN

The Company is indebted to Shin Han Bank at June 30, 2010 for $413,121, payable in May 2010, interest at 6.57 % per annum. The loan is secured by guarantee issued by “KIBO”, a Korean government agency created to guarantee loans to small-to-medium technology companies.

NOTE 11 – CAPITAL STOCK

Company is authorized to issue up to 100,000,000 common shares at $0.001 par value. Total number of common shares issued and outstanding as of June 30, 2010 were 50,783,115 shares and 40,708,115 shares, December 31, 2009.

For the six months ended June 30, 2010, 10,075,000 new shares were issued, 7,000,000 shares for the purchase of 50 % interest in Leo B & T Inc., valued at $ 1.55 per share or $ 10,850,000, 3,000,000 shares for compensation and 75,000 shares for consulting service, latter two valued at $ 1.45 per share or $ 4,458,750.

NOTE 12 – OPERATING RISK

(a) Concentration of credit risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash. The Company places its cash with financial institutions with high credit ratings.

(b) Country risk

Revenues of the Company are mainly derived from the sale in Korea. The Company hopes to expand its operations to other Countries, however, such expansion has not been commenced and there are no assurances that the Company will be able to achieve such an expansion successfully. Therefore, a downturn or stagnation in the economic environment of Korea could have a material adverse effect on the Company's financial condition.

(c) Product risk

The Company might have to compete with larger companies who have greater funds available for expansion, marketing, research and development and the ability to attract more qualified personnel. There can be no assurance that Company will remain competitive should this occur.

(d) Exchange risk

The Company cannot guarantee that the current exchange rate will remain steady, therefore there is a possibility that the Company could post the same amount of profit for two comparable periods and because of a fluctuating exchange rate actually post higher or lower profit depending on exchange rate of Korean Won were converted to U.S. dollars on that date. The exchange rate could fluctuate depending on changes in the political and economic environments without notice.

(e) Key personnel risk

The Company's future success depends on the continued services of few individuals and loss of one or several of their service would be detrimental to the Company and could have an adverse effect on business development. The Company does not currently maintain key man insurance on their life but plan to implement in near future. Future success is also dependent on the ability to identify, hire, train and retain other qualified managerial and other employees.

NOTE 13 – SEGMENT INFORMATION

The following information is presented in accordance with SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. In period ended June 30, 2010, the Company operated in a single reportable business segment, sales of specialized electric vehicle.

The Company's reportable segments are strategic business units that offer different products. The Company's reportable segments, although integral to the success of the others, offer distinctly different products and services and require different types of management focus. As such, these segments are managed separately.

Condensed information with respect to these reportable business segments for the period is as follows:

Sales from specialized electric vehicles (single segment for the period)	$566,622

NOTE 14 – COMMITMENT AND CONTINGENCIES

13.1 Lease Commitments

Company leases its office space and assembly facilities in HaNam City in Korea which expires on March 31, 2011 and its monthly minimum rental is $ 6,875.

The minimum obligations under such commitments for the years ending December 31 until its expiration are:

Year 2010	$	82,500
Year 2011	$	86,600
Year 2012	$	91,000

Rental expense for the period ended June 30, 2010 was $19,522.

13.2 Litigation

The Company has no threatened, pending or unsettled litigation as of August 19, 2010, the date the financial statement is available for issuance.

NOTE 15 – CONTRACTS

In May, 2010, the Company appointed M&M Corp as its exclusive Korean provider of electric scooters. Upon entering the agreement, M&M paid the Company 400,000,000 Korean Won for the order of 170 units of e-scooters. On April 2, 2010, M&M placed a definitive order for 1,170 units for 4.2 billion Korean Won (approximately $3.73 Million US), and has advanced a down payment of 30 billion Korean Won (approximately $2.66 million US).

NOTE 16—GOING CONCERN

As shown in the accompanying financial statements, the Company incurred a net loss of $5,018,302 during the quarter ended June 30, 2010, and as of that date, the Company has a deficit of $9,573,491. Those factors create an uncertainty about the Company's ability to continue as a going concern. Management of the Company has developed a plan to continue as a going concern by focusing on increasing short term revenues from sales of its e-Bikes and EV conversion services. In April, 2010 the Company received its first large scale order for its EVs, which upon fulfillment will generate the Company's first significant revenues from its main plan of operation. See Note 15 above.

The ability of the Company to continue as a going concern is dependent on attaining profitable operations and the success of its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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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 producing and selling its electric scooter models in Korea, which began in the first quarter of this year, with a view to expanding our sales to Japan and other countries in the near future. We are also currently marketing our power train for the conversion of Internal Combustion Engine ("ICE") vehicles into Electric Vehicles. We also have several other projects in various stages of development.

Our immediate term strategy is to develop the sales of our electric scooters and EV conversion services in order to develop revenue streams and profitability. Until we succeed in these regards, our other production-ready projects have been placed on hold. Our recent success has enabled us to continue initial development of some of our projects on a case-by-case basis.

Recent Business Developments

Hilless Electric Scooter Sales

We have begun to mass produce, market, and sell our three models of electric scooters: Hilless 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. In Korea, the company appointed M&M Corp., a publicly traded company listed on KOSDAQ, a division of the Korea Exchange (KRX), as our exclusive distributor in Korea. We have already received two definitive orders from M&M and in each case have received up-front down payments for the orders. We received 400,000,000 Korean won (approximately $300,000) from M&M as a down payment for the definitive order of 170, and we received 3 billion Korean Won (about $2.66 million) as down payment for the definitive order of 1,170 electric scooters. The second order will be delivered by June 2010, for which we anticipate total revenues of 4.2 billion Korean Won (approximately $3.73 million).

These scooters were also presented to government organizations such as post office and police, social organizations, bigger companies, and delivery businesses. The company is collecting orders from these national providers.

In December, 2009 we participated in the 2009 International Motorcycle Show in Long Beach, California to gauge US marketability of our scooters. We found that the power system is highly competitive with other electric scooters, but we should enhance the design and quality of non electric parts before our scooter will be ready for a US launch.

EV Conversion Kit

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 must successfully enter into the mass market of the electric power train in order to generate significant revenues from this project.

Leo B&T

On February 11, 2010, Leo Motors, Inc. (the "Company") acquired 50% of Leo B&T Co. Ltd, a Korean Corporation ("Leo B&T"), from two shareholders of Leo B&T in exchange for 7,000,000 shares of the Company's common stock. Leo B&T is an electric bus and truck Company that will convert existing Internal Combustion Engine buses and trucks into electric ones, and will make its own designs of electric buses and trucks in the future.

Through Leo B&T, we have developed a full speed micro electric bus sized with 24 seats, using one 120 kW power train. An initial prototype has been developed and successfully tested. The bus ran more than 65 mph, and demonstrated that it can run more than 60 miles per single charge. Leo B&T's electric bus also did not experience a loss of power despite high speeds and navigation of 30-degree mountain roads. We intend to market this and other bus conversions and original EV designs to governments and will not begin production without a definitive order.

Other Projects

We have several other projects that have been placed on hold while we develop sales from our electric scooters. As we have begun to generate significant revenue from the scooters, we anticipate being able to continue some of these projects on a case by case basis.

We have developed a power storage system for solar and wind powered houses and buildings. We are waiting for additional orders from our Japanese dealer, LMJ, before continuing with this project.

We are in the initial development stages of a canopied four wheel scooter. We have studied the design and power system, and we plan to develop the prototype beginning August, 2010.

We have also developed production ready models of various models of EV, including the S 65 SUV and SKG electric car, which we currently are making available on a pre-order basis only. We do not intend to produce inventory without pre-orders. If we do not receive orders of these vehicles, we may discontinue these projects and use our existing prototypes for demonstration of our power trains.

We have started the development of a 240 kW controller and motor. The controller is developed by our own researchers, and the motor is under development by our supplier based on our design and requirements. With development of 240 kW motor and controller, we are going to have 240kW power train which can be used in heavy duty buses and trucks.

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 period, the Company had incurred $4,728,804 in expenses and had realized only $12,463 in revenues. Accordingly, our ability to initiate our plan of operations and continue as a going concern is currently dependent on our ability to either generate significant new revenues or raise external capital.

Our monthly operating cost including salaries and general expense is currently approximately $65,000, as we focus on our e-Bikes and power trains. In April 2010 we received approximately $3 million in a down payment from our distribution agreement in Korea; accordingly, we have already secured our annual operating budget for 2010. However, in order to continue the projects we have put on hold, we will require additional revenues or financing.

Despite being able to reach this stage in our development with limited funding, 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 current business plan are summarized as follows:

e-Bikes

Step	Anticipated Cost		Anticipated Start Date
Initial Design	$	N/A	Completed
Initial Prototypes	$	N/A	Completed
Testing	$	N/A	Completed
Component Development	$	N/A	Completed
Production Capability	$	N/A	Completed
Production of Inventory	$	100,000	In process
Marketing & Sales	$	100,000	In process
Total		200,000	

Power Trains

Step	Anticipated Cost		Anticipated Start Date
Initial Design	N/A		Completed
Initial Prototypes	$	500,000	In process
Testing	$	500,000	In process
Production Capability	$	500,000	September 2010
Production of Inventory	$	100,000	December 2010
Marketing & Sales	$	100,000	In process
Total		1,700,000	

To date we have raised approximately $936,200 in equity financing, $200,000 in November 2008, $417,000 in January 2009, and $119,200 in May 2009.

To date we have raised approximately $2,340,000 in debt financing. This includes the $1,500,000 advance from Mr. Lee in 2008 and an additional $440,000 loan from Mr. Lee in 2009. 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, a non-profit Korean Government institution whose purpose is to provide credit guarantees for new technology-based enterprises, and to promote the growth of technologically strong small and medium enterprises. We have no relationship to KIBO other than the guarantee, and did not compensate KIBO for the guarantee. The loan is due within one year. If we fail to repay the loan, it will be repaid by KIBO and KIBO will seek the amounts from us; however, KIBO generally extends the payment term by up to three years provided that the Company owns the original technology and its management is stable. We will continue to explore additional debt financing opportunities.

Accordingly we have obtained sufficient financing to implement our initial business plan, but are currently seeking up to $10,000,000 in additional financing in order to fully implement plans that have been placed on hole. In addition to the above financing, we continue to negotiate with financial institutions, venture capital firms, and individual investors among our business contacts.

Despite receipt of approximately $3,000,000 in an advanced payment, there continues to be 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 develop revenue streams from e-Scooters and power train conversions. Our long term survival will depend on the success of these initial plans operations and the generation of significant recurring revenue. If our 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.

In addition, the functional currency in our operations is the Korean Won, and we conduct business or plan to conduct business in several other currencies, including that of the US, the Philippines, and Thailand. Foreign currency exchange rates are subject to significant fluctuation which could have a material effect on our liquidity. For example, a material advance payment made in Korean Won decreased in value from December 31, 2007 to December 31, 2008 by over 25%. This represents a significant risk that assets we hold in foreign currencies will lose value due to the change in exchange rates.

Results of Operations

Revenues

Sales for the three months ended June 30, 2010 were $12,436 compared to $349,881 for the three months ended March 31, 2009. Costs of sales were $7,340 in the current period and compared to $208,203 in the same period last year. In the three months ended June 30, 2010, we experienced a gross profit of $5,123, compared to $151,678 in gross profit in the same period in 2009. Neither period's sales represent sales from regular business, but rather sales of samples and development services. We anticipate sales in the second quarter to be significantly higher than in the first due to the recent sales to M&M Corp.

Expenses

During the three months ended June 30, 2010, we incurred $4,728,804 in expenses, compared to $2,262,428 for the same period in 2009. 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:

Expenses:	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Salaries and Benefits	$ 4,476,891	$ 26,214
Service Fees	142,975	34,552
General and Administrative	108,938	2,201,662

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. This expense increased $4,450,677 or 16978% from the prior period. This increase is due primarily payments made in stock to consultants and employees.

Consulting and Service Fees – consist of consist of accounting, legal, and professional fees. This expense increased $108,423 or 314% from the prior period. This increase is due primarily to the increased needs for our consulting and service providers due to the increase in our operations. We anticipate that this expense will continue to fluctuate significantly as we continue to grow our sales, and begin to implement various other parts of our business plan.

Selling, 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. This expense decreased $2,092,724 or 95% from the prior period. This decrease is due primarily to extraordinary expenditures in the same period in the prior year. We anticipate that this expense will continue to fluctuate, but will not increase significantly in 2010.

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 June 30, 2010, 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

None.

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: August 19, 2010

LEO MOTORS, INC.
(the registrant)

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

Exhibit 31.1

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 June 30, 2010;

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 19, 2010

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

Exhibit 32.1

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, 2010, 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: August 19, 2010

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