Leatt Corp
Form 10-Q
November 14, 2012

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: September 30, 2012

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

For the transition period from ____________ to _____________

Commission File No. 000-54693

LEATT CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	**20-2819367**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

50 Kiepersol Drive, Atlas Gardens, Contermanskloof Road,
Durbanville, Western Cape, South Africa, 7441
(Address of principal executive offices)

+(27) 21-557-7257
(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [_] No [_]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 outstanding of each of the issuer s classes of common stock, as of November 13, 2012 is as follows:

Class of Securities	Shares Outstanding
Common Stock, $0.001 par value	5,200,623

LEATT /CORPORATION

Quarterly Report on Form 10-Q
Nine months Ended September 30, 2012
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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LEATT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

LEATT CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30 2012 Unaudited	December 31 2011 Audited
Current Assets		
Cash and cash equivalents	$ 1,340,354	$ 1,084,806
Short-term investments	310,951	310,329
Accounts receivable	1,835,630	2,993,681
Inventory	4,445,773	3,679,223
Payments in advance	130,759	179,653
Income tax refunds receivable	1,991	-
Deferred tax asset	47,000	47,000
Prepaid expenses and other current assets	43,524	825,817
Total current assets	8,155,982	9,120,509
Property and equipment, net	1,227,808	1,372,521
Other Assets		
Deposits	44,647	33,509
Intangible assets	113,608	116,230
Total other assets	158,255	149,739
Total Assets	$ 9,542,045	$ 10,642,769
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,381,416	$ 2,171,456
Customer deposits	-	265
Income taxes payable	-	148,000
Short term loan, net of finance charges	-	617,010
Total current liabilities	2,381,416	2,936,731
Deferred tax liabilities	99,839	100,000
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $.001 par value, 1,120,000 shares authorized, 120,000 shares issued and outstanding	3,000	3,000
Common stock, $.001 par value, 28,000,000 shares authorized, 5,200,623 shares issued and outstanding	130,008	130,008
Additional paid - in capital	7,297,190	7,286,865
Accumulated other comprehensive income	196,249	199,618

Accumulated deficit		(565,657)		(13,453)
Total stockholders' equity		7,060,790		7,606,038
Total Liabilities and Stockholders' Equity	$	9,542,045	$	10,642,769

See accompanying notes to consolidated financial statements

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2012 Unaudited	2011 Unaudited	2012 Unaudited	2011 Unaudited
Revenues	$ 2,689,157	$ 3,582,144	$ 10,481,585	$ 11,490,294
Cost of Revenues	1,317,056	1,499,775	4,715,416	4,518,438
Gross Profit	1,372,101	2,082,369	5,766,169	6,971,856
Operating Expenses				
Salaries and wages	547,144	526,019	1,613,684	1,576,776
Commissions and consulting expenses	122,987	101,420	371,057	399,499
Professional fees	310,696	99,974	864,448	533,635
Advertising and marketing	429,421	192,349	968,501	963,244
Office rent and expenses	66,015	65,482	206,348	188,958
Research and development costs	255,982	340,275	777,437	952,815
Bad debts	-	-	-	2,043
General and administrative expenses	528,407	561,980	1,574,650	1,597,273
Depreciation	102,496	119,539	318,390	284,173
Total operating expenses	2,363,148	2,007,038	6,694,515	6,498,416
Income (Loss) from Operations	(991,047)	75,331	(928,346)	473,440
Other Income				
Interest and other income, net	130,463	72,112	377,102	96,735
Total other income	130,463	72,112	377,102	96,735
Income (Loss) Before Income Taxes	(860,584)	147,443	(551,244)	570,175
Income Taxes	(105,000)	-	960	251,600
Net Income (Loss) Available to Common Shareholders	$ (755,584)	$ 147,443	$ (552,204)	$ 318,575
Net Income (Loss) per Common Share				
Basic	$ 0.000	$ 0.0283	$ 0.000	$ 0.0611
Diluted	$ 0.000	$ 0.0283	$ 0.000	$ 0.0611
Weighted Average Number of Common Shares Outstanding				
Basic	5,200,623	5,200,312	5,200,623	5,210,816
Diluted	5,200,623	5,200,312	5,200,623	5,210,816

Comprehensive Income (Loss)								
Net Income (Loss)	$	(755,584)	$	147,443	$	(552,204)	$	318,575
Other Comprehensive Income, net of $-0- deferred income taxes								
Foreign currency translation		5,293		(282,987)		(3,369)		(299,905)
Total Comprehensive Income (Loss)	$	(750,291)	$	(135,544)	$	(555,573)	$	18,670

See accompanying notes to consolidated financial statements

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	Preferred Stock A		Common Stock		Additional	Accumulated Other Comprehensive	(Accumulated	
	Shares	Amount	Shares	Amount	Paid - In Capital	Loss	Deficit)	To
Balance, January 1, 2012 - as previously reported	3,000,000	$ 3,000	130,007,807	$ 130,008	$ 7,286,865	$ 199,618	$ (13,453)	$ 7,60
Reverse Stock Split	(2,880,000)	-	(124,807,184)	-	-	-	-	
Balance, January 1, 2012 - as adjusted	120,000	$ 3,000	5,200,623	$ 130,008	$ 7286,865	$ 199,618	$ (13,453)	$ 7,60
Compensation cost recognized in connection with stock options	-	-	-	-	10,325	-	-	1
Net loss	-	-	-	-	-	-	(552,204)	(55
Foreign currency translation adjustment	-	-	-	-	-	(3,369)	-	(
Balance, September 30, 2012	120,000	$ 3,000	5,200,623	$ 130,008	$ 7,297,190	$ 196,249	$ (565,657)	$ 7,06

See accompanying notes to consolidated financial statements

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Net income (loss)	$ (552,204)	$ 318,575
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	318,390	284,173
Deferred income taxes	(161)	(1,412)
Stock-based compensation	10,325	-
Bad debts	-	5,443
Gain on disposal of property and equipment	(7,851)	-
(Increase) decrease in:		
Accounts receivable	1,158,051	371,036
Inventory	(766,550)	(2,001,380)
Payments in advance	48,894	(46,318)
Prepaid expenses and other current assets	782,293	595,690
Income tax refunds receivable	(1,991)	40,300
Deposits	(11,138)	(1,164)
Increase (decrease) in:		
Accounts payable and accrued expenses	209,960	947,620
Income taxes payable	(148,000)	299,425
Customer deposits	(265)	(59,281)
Net cash provided by operating activities	1,039,753	752,707
Cash flows from investing activities		
Capital expenditures	(94,201)	(447,341)
Proceeds from sale of property and equipment	7,851	-
Increase in short-term investments, net	(622)	(783)
Net cash used in investing activities	(86,972)	(448,124)
Cash flows from financing activities		
Repurchase of common stock	-	(81,417)
Repayments of short-term loan, net	(617,010)	(631,430)
Net cash used in financing activities	(617,010)	(712,847)
Effect of exchange rates on cash and cash equivalents	(80,223)	(121,452)
Net increase (decrease) in cash and cash equivalents	255,548	(529,716)
Cash and cash equivalents - beginning of period	1,084,806	1,235,107
Cash and cash equivalents - end of period	$ 1,340,354	$ 705,391
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 122	$ 430

Cash paid for income taxes	$	960	$	800
Other noncash investing and financing activities Common stock issued for services	$	10,325	$	-

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 Basis of Presentation

The consolidated balance sheet as of December 31, 2011 was audited and appears in the Form 10 filed by the Company with the Securities and Exchange Commission, as amended. The consolidated balance sheet as of September 30, 2012 and the consolidated statements of operations for the nine months ended September 30, 2012 and 2011, changes in stockholders' equity for the nine months ended September 30, 2012, cash flows for the nine months ended September 30, 2012 and 2011, and the related information contained in these notes have been prepared by management without audit. In the opinion of management, all adjustments (which include only normal recurring items) necessary to present fairly the financial position, results of operations and cash flows in conformity with generally accepted accounting principles as of September 30, 2012 and for all periods presented have been made. Interim operating results are not necessarily indicative of operating results for a full year.

Certain information and note disclosures normally included in the Company s annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. While management of the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2011 as filed with the Securities and Exchange Commission in the Company's Form 10, as amended.

Note 2 - Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, the Company utilizes historical experience as well as current market information. There was no reserve for obsolescence for the nine months ended September 30, 2012.

Note 3 - Intangible Assets

The Company s intangible assets consist of acquired patents with an indefinite useful life and are thus not amortized. Intangible assets are carried at cost less impairment. Amortization expense for the nine months ended September 30, 2012 was zero. There was no impairment of intangible assets at September 30, 2012.

Note 4 - Short-term Loan

The Company carries product liability insurance policies with a U.S. and South African-based insurance carrier. The Company finances payment of its short-term insurance premiums over the period of coverage, which is generally twelve months. The previous short-term loan was payable in monthly installments of $89,357 over ten months with interest at 2.99% and has been repaid in full. The current short-term loan is payable in monthly installments of $94,316 over an eleven month period at an APR of 2.647% .

Note 5 - Stock-Based Compensation

During the quarter ended March 31, 2012, 208,000 stock options were granted at an exercise price of $1.00 per share, exercisable over a 5 year period. Of the options granted, 40% of the shares were vested with a compensation expense of $10,325 and 60% of the shares were unvested with unrecognized compensation values of $15,487. The fair value of the stock options granted was estimated at the date of grant using the Black Sholes option-pricing model. Based on the list of assumptions presented below, the fair value of the options granted during the nine months ended September 30, 2012, was $0.13 per share.

Expected term in years	5
years Risk-free interest rate	2.65%
Expected volatility	0.90%
Expected dividend yield	0.00%

The expected volatility was determined with reference to the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that the options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate in effect at the time of grant

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 6 - Income Taxes

The Company uses the asset and liability approach to account for income taxes. Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the income tax basis of assets and liabilities. A valuation allowance is applied against any net deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The provision for income taxes included taxes currently payable, if any, plus the net change during the period in deferred tax assets and liabilities recorded by the Company.

The Company applies the provisions of FASB ASC Topic 740-10, Accounting for Uncertainty in Income Taxes (Standard), which provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is more likely than not of being sustained upon an examination by tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the standard provides guidance on derecognition, classification, interest and penalties; accounting in interim periods, disclosure and transition, and any amounts when incurred would be recorded under these provisions.

The Company s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of September 30, 2012, the Company had no unrecognized tax benefits and the Company currently has no federal or state tax examinations in progress.

Note 7 - Net Income per Share of Common Stock

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common stock shares and dilutive potential common shares outstanding during the period. For the nine months ended September 30, 2012, the Company had 328,000 potential common shares, consisting of 120,000 preferred shares and 208,000 stock options, outstanding that were anti-dilutive and therefore not included in diluted net income per share.

Note 8 - Litigation

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

Note 9 - Stockholders' Equity

On September 20, 2012, the Company filed an amendment to its Certificate of Incorporation to effect a 1-for-25 reverse stock split of its common stock and preferred stock issued and outstanding on that date. The amendment also effected a reduction of the Company's authorized common shares and preferred shares at the same ratio as the reverse stock split. As a result, the Company's authorized common shares were reduced to 28,000,000 shares, with 5,200,623 shares issued and outstanding, and the Company's authorized preferred shares were reduced to 1,120,000 shares, with

120,000 preferred shares issued and outstanding, without any change in the par value of such shares.

All share and per share calculations and related disclosures have been retroactively adjusted to reflect the 1-for-25 reverse stock split for all periods presented.

Note 10 - Subsequent Events

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

Effective as of October 1, 2012, trading of the Company's common stock on a reverse stock split basis was approved by the Financial Industry Regulatory Authority.

Pursuant to a Premium Financing Agreement, dated October 10, 2012, between the Company and AFCO Acceptance Corporation ("AFCO"), the Company is obligated to pay AFCO an aggregate sum of $1,023,880.97 in eleven payments of $94,316, at a 2.647% annual interest rate, commencing on November 1, 2012 and ending on September 1, 2013. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement.

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

This Quarterly report on Form 10-Q contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled Our Business, Risk Factors, and Management s Discussion and Analysis of Financial Condition and Results of Operations. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned Risk Factors above.

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

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

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

Use of Certain Defined Terms

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

- Leatt, we, us, our, the Registrant or the Company are to the combined business of Leatt Corporation, corporation, its South African branch, Leatt SA, and its direct, wholly-owned subsidiaries, Two Eleven, Leatt New Zealand and Three Eleven;
- Leatt SA are to the Company s branch office known as Leatt Corporation, Incorporated in the State of Nevada, incorporated under the laws of South Africa with registration number: 2007/032780/10;
- Leatt USA are to Leatt USA, LLC, is a Nevada Limited Liability Company;
- Leatt New Zealand are to Leatt New Zealand Limited, a New Zealand Company;
- NZD are to the legal currency of New Zealand. For all NZD amounts reported, the dollar amount has been calculated on the basis that $1=NZD1.2914 for its December 31, 2011 audited balance sheet.
- PRC , and China are to the People s Republic of China;
- Two Eleven refers to Two Eleven Distribution, LLC, a California limited liability company;
- Three Eleven are to Three Eleven Distribution (Pty) Limited, a South African Company;
- Securities Act are to the Securities Act of 1933, as amended, and to Exchange Act are to Securities Exchange Act of 1934, as amended;
- South Africa are to the Republic of South Africa;

- U.S. dollar, $ and US$ are to the legal currency of the United States. For all U.S. dollar amounts reported, the dollar amount has been calculated on the basis that $1 = ZAR8.1173 for its December 31, 2011 audited balance sheet**;**
- Xceed Holdings refers to Xceed Holdings cc., a close corporation incorporated under the laws of South Africa, and wholly-owned by The Leatt Family Trust, of which Dr. Christopher J. Leatt, the Company s chairman, is a Trustee and Beneficiary; and
- ZAR refers to the South African Rand, the legal currency of South Africa.

Overview

Leatt designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs, as well as racing car drivers. The Company sells its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by other international brands.

The Company s flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company s Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment.

The Company s research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 6 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Certain products, such as the Moto R, have been certified by SFI Foundation (USA) and the Moto GPX was tested by BMW Motorrad (Germany) and reviewed by KTM (Austria). The Company is also in discussions with governing and racing bodies, such as the FIA, the FIM and NASCAR, to have the Leatt-Brace® accredited by these bodies.

Our products are manufactured in China under outsource manufacturing arrangements with third-party manufacturers located there. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products purchased through international sales are usually shipped directly from our manufacturers warehouses or points of dispatch to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 60 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to retailers in the United States and South Africa, respectively.

Principal Factors Affecting our Financial Performance

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

Global Economic Fragility The ongoing turmoil in the global economy, especially in the U.S. and Europe, may have an impact on our business and our financial condition, and we may face challenges if economic conditions do not improve. These economic conditions impact levels of consumer spending, which have deteriorated and may remain depressed for the foreseeable future. If demand for our products fluctuates as a result of these economic conditions or otherwise, our revenue and gross margin could be harmed.

Fuel Prices Significant fluctuations in fuel prices could have both a positive and negative effect on our business and operations. A significant portion of our revenue is derived from international sales and significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers.

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Results of Operations

The following summary of our results of operations should be read in conjunction with our financial statements and the notes thereto for the three- and nine-month periods ended September 30, 2012 included herein. The following tables set forth key components of our results of operations for the periods indicated, both in dollars and as a percentage of sales revenue and key components of our revenue for the periods indicated in dollars and percentages.

Three Months Ended September 30, 2012 compared to the Three Months Ended September 30, 2011

The following table summarizes the results of our operations during the three-month periods ended September 30, 2012 and 2011 and provides information regarding the dollar and percentage increase or (decrease) in such periods:

	Three-Months Ended		$	Percentage
Item	**September 30, 2012**	**September 30, 2011**	**Increase (Decrease)**	**Increase (Decrease)**
REVENUES	$ 2,689,157	$ 3,582,144	$ (892,987)	-25%
COST OF REVENUES	1,317,056	1,499,775	(182,719)	-12%
GROSS PROFIT	1,372,101	2,082,369	(710,268)	-34%
OPERATING EXPENSES				
Salaries and Wages	547,144	526,019	21,125	4%
Commissions and Consulting	122,987	101,420	21,567	21%
Professional Fees	310,696	99,974	210,722	211%
Advertising and Marketing	429,421	192,349	237,072	123%
Office Rent and Expenses	66,015	65,482	533	1%
Research and Development Costs	255,982	340,275	(84,293)	-25%
General and Administrative	528,407	561,980	(33,573)	-6%
Depreciation	102,496	119,539	(17,043)	-14%
Total Operating Expenses	2,363,148	2,007,038	356,110	18%
INCOME (LOSS) FROM OPERATIONS	$ (991,047)	$ 75,331	$ (1,066,378)	-1416%
Other Income	130,463	72,112	58,351	81%
INCOME (LOSS) BEFORE INCOME TAXES	$ (860,584)	$ 147,443	$ (1,008,027)	-684%
Income Taxes	(105,000)	-	(105,000)	-
NET INCOME (LOSS)	$ (755,584)	$ 147,443	$ (903,027)	-612%

Revenues We earn revenues from the sale of our braces, protective gear and other products, parts and accessories. During the quarters ended September 30, 2012 and 2011, Brace sales accounted for $1,924,702 and $3,084,202, respectively, or 72% and 86% of our revenues, Body Protection sales accounted for $614,894 and $291,091, respectively, or 23% and 8% of our revenues, and sales of Other Products, Parts and Accessories accounted for $149,561 and $206,851, respectively, or 5% and 6% of our revenues. Revenues for the quarter ended September 30, 2012 were $2.7 million, a 25% decrease compared to revenues of $3.6 million for the quarter ended September 30, 2011. This decrease in revenues is attributable to a $1.2 million decrease in Brace Sales and a $0.06 million decrease in sales of Other Products, Parts and Accessories, which was partially offset by a $0.3 million increase in Body

Protection Sales. The decrease in Brace Sales was primarily due to a lower volume of brace orders from the Company s OEM customers during the 2012 period, as compared to a higher volume of such orders in the 2011 period. The increase in Body Protection sales was primarily due to continued improved market penetration as a result of our marketing and promotional efforts during the 2012 period. The decrease in sales of our Other Products, Parts and Accessories is primarily due to our lessened focus on the sales and marketing of our clothing and other apparel products which have lower gross margins.

Cost of Revenues and Gross Profit Cost of revenues for the quarter ended September 30, 2012 were $1.3 million and $1.5 million, respectively. Gross Profit for the quarters ended September 30, 2012 and 2011 were $1.4 million and $2.1 million, respectively, or 51% and 58% of sales respectively. This decrease in gross profit percentage is due to continued changes in the Company s product sales mix, as discussed above, and continued increases experienced in freight and carriage costs as a result of higher international oil prices. Body Protection products continue to generate a lower gross margin than do Brace products, and they represent 23% of the total company sales in the third quarter of 2012 as compared to 8% in the third quarter of 2011. As a result, the contribution to total revenues as a result of the continued increase in Body Protection revenues combined with the freight and carriage cost increases experienced as a result of higher international oil prices led to a decrease in our overall gross profit from 2011. Our management continues to evaluate possible efficiencies and benefits that may be achieved to assist margins on a regular basis.

Salaries and Wages Salaries and wages for the quarters ended September 30, 2012 and 2011 were $547,144 and $526,019, respectively. This 4% increase in salaries and wages is primarily due to the employment of additional European sales staff and US operations staff.

Commissions and Consulting Expense During the quarters ended September 30, 2012 and 2011, commissions and consulting expenses were $122,987 and $101,420, respectively. This 21% increase in commissions and consulting expenses is primarily due to increased spending on investor relations activities.

Professional Fees Professional fees consist of costs incurred for audit, tax and regulatory filings and quarterly reporting requirements, as well as patent protection and litigation expenses incurred as the Company continues to expand. Professional fees for the quarters ended September 30, 2012 and 2011 were $310,696 and $99,974, respectively. This 211% increase in professional fees is primarily due to the effect of increased spending on patent protection and product liability litigation, which accounted for the majority of the increase as well as additional costs incurred in becoming an SEC reporting Company in 2012.

Advertising and Marketing The Company places paid advertising in various motorsport magazines, online media and sponsors a number of events, teams and individuals to increase exposure. Advertising and marketing expenses for the quarters ended September 30, 2012 and 2011 were $429,421 and $192,349, respectively. The 123% increase in advertising and marketing expenditures during the 2012 period is primarily due to an advertising campaign developed to promote the Company s new range of products.

Office Rent and Expenses Office rent and expenses for the quarters ended September 30, 2012 and 2011 were $66,015 and $65,482, respectively. The 1% increase in office rent and expenses is primarily the result of additional warehouse space required by Two Eleven to accommodate increased inventory levels in order to sustain a wider product range.

Research and Development Costs These costs consists of the salaries of staff members that are directly involved in the research and development of innovative products, as well as the direct costs associated with developing these products. The 25% decrease in research and development costs is a result of decreased spending on external contracted research and development expenditures for the quarters ended September 30, 2012 and 2011, which declined to $255,982 from $340,275, respectively.

General and Administrative Expenses General and administrative expense consists of insurance, travel, merchant fees, telephone, office and computer supplies. General and administrative expenses for the quarters ended September 30, 2012 and 2011 were $528,407 and $561,980, respectively. The 6% decrease in general and administrative expenses was primarily a result of decreased travel costs despite increased product liability insurance premium costs.

Depreciation Expense Depreciation Expense for the quarters ended September 30, 2012 and 2011 were $102,496 and $119,539, respectively. This 14% decrease in depreciation is primarily as a result of certain assets reaching the end of their useful lives.

Total Operating Expenses Total operating expenses increased by $356,110 in the three months ended September 30, 2012, or 18%, compared to $2,007,038 in the 2011 period. This increase is primarily due to increased advertising and marketing expenses as well as increased professional fees compared to the 2011 period.

Other Income - Other income increased to $130,463 during the three months ended September 30, 2012, compared to $72,112 in the 2011 period. This increase is primarily due to a continued recovery of bad debts that were written off during the year ended December 31, 2011.

Net Income/loss The net loss after income taxes for the quarter ended September 30, 2012 was $755,584 down from the net income after income taxes of $147,443 for the quarter ended September 30, 2011. This decrease in net income is due primarily to the decreased revenues discussed above as well as increased operating costs mentioned above.

Nine months Ended September 30, 2012 compared to the Nine months Ended September 30, 2011

The following table summarizes the results of our operations during the nine-month periods ended September 30, 2012 and 2011 and provides information regarding the dollar and percentage increase or (decrease) in such periods:

Item	Nine-months Ended September 30, 2012	September 30, 2011	$ Increase (Decrease)	Percentage Increase (Decrease)
REVENUES	$ 10,481,585	$ 11,490,294	$ (1,008,709)	-9%
COST OF REVENUES	4,715,416	4,518,438	196,978	4%
GROSS PROFIT	5,766,169	6,971,856	(1,205,687)	-17%
OPERATING EXPENSES				
Salaries and Wages	1,613,684	1,576,776	36,908	2%
Commissions and Consulting	371,057	399,499	(28,442)	-7%
Professional Fees	864,448	533,635	330,813	62%
Advertising and Marketing	968,501	963,244	5,257	1%
Office Rent and Expenses	206,348	188,958	17,390	9%
Research and Development Costs	777,437	952,815	(175,378)	-18%
Bad Debts	-	2,043	(2,043)	-100%
General and Administrative	1,574,650	1,597,273	(22,623)	-1%
Depreciation	318,390	284,173	34,217	12%
Total Operating Expenses	6,694,515	6,498,416	196,099	3%
INCOME (LOSS) FROM OPERATIONS	$ (928,346)	$ 473,440	$ (1,401,786)	-296%
Other Income	377,102	96,735	280,367	290%
INCOME (LOSS) BEFORE INCOME TAXES	$ (551,244)	$ 570,175	$ (1,121,419)	-197%
Income Taxes	960	251,600	(250,640)	-26108%
NET INCOME (LOSS)	$ (552,204)	$ 318,575	$ (870,779)	-273%

Revenues During the nine-month periods ended September 30, 2012 and 2011, Brace sales accounted for $7,851,280 and $10,137,784, respectively, or 75% and 88% of our revenues, Body Protection sales accounted for $2,061,939 and $649,053, respectively, or 20% and 6% of our revenues, and sales of Other Products, Parts and Accessories accounted for $568,366 and $703,457, respectively, or 5% and 6% of our revenues. Revenues for the nine months ended September 30, 2012 were $10.5 million, a 9% decrease compared to revenues of $11.5 million for the nine months ended September 30, 2011. This decrease in revenues is attributable to a $2.3 million decrease in Brace Sales and a $0.1 million decrease in sales of Other Products, Parts and Accessories, which was partially offset by a $1.4 million increase in Body Protection Sales. The decrease in Brace Sales was primarily due to a lower volume of brace orders from the Company s OEM customers during the 2012 third quarter, as well as depressed economic conditions word wide. The decrease in sales of our Other Products, Parts and Accessories is primarily due to our lessened focus on the sales and marketing of our clothing and other apparel products which have lower gross margins, and the continued concentration of our sales and marketing efforts on the promotion of our Body Protection products during the 2012 period which has resulted in an increase in Body Protection sales.

Cost of Revenues and Gross Profit Cost of revenues for the nine months ended September 30, 2012 were $4.7 million and $4.5 million, respectively. Gross Profit for the nine-month periods ended September 30, 2012 and 2011 were $5.8 million and $7.0 million, or 55% and 61% of sales respectively. This decrease in gross profit percentage is due to continued changes in the Company s product sales mix, as discussed above, and increases experienced in freight and carriage costs as a result of higher international oil prices. Body Protection products continue to generate a lower gross margin than do Brace products, and they represent 20% of the total company sales in the first nine months of 2012 as compared to 6% in the same 2011 period. As a result, the contribution to total revenues as a result of the continued increase in Body Protection revenues, combined with the freight and carriage cost increases experienced as a result of higher international oil prices, led to a decrease in our overall gross profit from 2011. Our management continues to evaluate possible efficiencies and benefits that may be achieved to assist margins on a regular basis.

Salaries and Wages Salaries and wages for the nine months ended September 30, 2012 and 2011 were $1,613,684 and $1,576,776, respectively. This 2% increase in salaries and wages due to the employment of additional European sales staff and operations staff for our US operations in the 2012 third quarter, as mentioned above.

Commissions and Consulting Expense During the nine months ended September 30, 2012 and 2011, commissions and consulting expense were $371,057 and $399,499, respectively. This 7% decrease in commissions and consulting expenses is primarily as a result of functions being undertaken in-house which were previously outsourced.

Professional Fees Professional fees consist of costs incurred for audit, tax and regulatory filings and quarterly reporting requirements, as well as patent protection and litigation expenses incurred as the Company continues to expand. Professional fees for the nine months ended September 30, 2012 and 2011 were $864,448 and $533,635, respectively. This 62% increase in professional fees is primarily due to the effect of increased spending on product liability litigation which accounted for 82% of the increase and fees relating to becoming an SEC reporting company during the 2012 period.

Advertising and Marketing The Company places paid advertising in various motorsport magazines, online media and sponsors a number of events, teams and individuals to increase exposure. Advertising and marketing expenses for the nine months ended September 30, 2012 and 2011 were $968,501 and $963,244, respectively. Advertising and marketing expenditures remain consistent with the prior period.

Office Rent and Expenses Office rent and expenses for the nine months ended September 30, 2012 and 2011 were $206,348 and $188,958, respectively. The 9% increase in office rent and expenses is primarily the result of additional warehouse space rented by Two Eleven in order to accommodate increased inventory levels required as the Company's product range widens. Management continues to evaluate the Company's warehouse requirements closely.

Research and Development Costs These costs consists of the salaries of staff members that are directly involved in the research and development of innovative products, as well as the direct costs associated with developing these products. Research and development costs for the nine months ended September 30, 2012 and 2011 reduced to $777,437 from $952,815, respectively. This is as a result of reduced spending on external contracted research and development expenditures.

General and Administrative Expenses General and administrative expense consists of insurance, travel, merchant fees, telephone, office and computer supplies. General and administrative expenses for the nine months ended September 30, 2012 and 2011 were $1,574,650 and $1,597,273, respectively. The 1% decrease in general and administrative expenses was primarily the result of a focus on controlling administrative expenses despite increased product liability insurance premiums. The Company continues to review and revise its insurance needs as necessary.

Depreciation Expense Depreciation expense for the nine months ended September 30, 2012 and 2011 were $318,390 and $284,173, respectively. This 12% increase in depreciation is primarily due to the commissioning of new molds purchased to facilitate the production of the Company's wider product range which was partially offset by certain assets reaching their economic useful life.

Total Operating Expenses Total operating expenses increased by $196,099 in the nine months ended September 30, 2012, or 3%, compared to $6,498,416 in the 2011 period. This marginal increase is primarily due to an increase in professional fees which were offset by decreased research and development costs compared to the 2011 period.

Other Income - Other income increased to $377,102 during the nine months ended September 30, 2012, compared to $96,735 in the 2011 period. This increase is primarily due to a recovery of bad debts that were written off during the year ended December 31, 2011.

Net Income/loss The net loss after income taxes for the nine months ended September 30, 2012 was $552,204 a decrease from the net income after income taxes of $318,575 for the nine months ended September 30, 2011. The net income (loss) percentage for the nine months ended September 30, 2012 and 2011 is -5% and 3%. The decrease in net income is primarily the effect of decreased revenues and increased operating costs discussed above..

Liquidity and Capital Resources

At September 30, 2012, we had cash and cash equivalents of $1.3 million and $0.3 million of short term investments. The following table sets forth a summary of our cash flows for the periods indicated:

	September 30			
		2012		**2011**
Net cash provided by operating activities	$	1,039,753	$	752,707
Net cash used in investing activities	$	(86,972)	$	(448,124)
Net cash used in financing activities	$	(617,010)	$	(712,847)
Effect of exchange rate changes on cash and cash equivalents	$	(80,223)	$	(121,452)
Net increase (decrease) in cash and cash equivalents	$	255,548	$	(529,716)
Cash and cash equivalents at the beginning of period	$	1,084,806	$	1,235,107
Cash and cash equivalents at the end of period	$	1,340,354	$	705,391

Cash increased by $255,548, or 24%, for the nine months ended September 30, 2012. The primary sources of cash from operating activities during the nine months ended September 30, 2012 were a decrease in prepaid expenses and other current assets of $782,293, decreased accounts receivable of $1,158,051 and an increase in accounts payable of $209,960.The primary use of cash from operating activities for the nine months ended September 30, 2012 were an increase in inventory of $766,550 and a net loss of $552,204. As of September 30, 2012, we did not have any credit facilities or significant amounts owed to third party lenders..

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

Obligations under Material Contracts

Pursuant to our Licensing Agreement with Xceed Holdings, we pay Xceed Holdings 4% of all sales revenue billed and received by the Company, on a quarterly basis based on sales of the previous quarter. In addition, pursuant to a separate license agreement between the Company and Mr. De Villiers, the Company is obligated to pay a royalty fee of 1% of all our billed and received sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers.

Pursuant to a Premium Finance Agreement, dated October 10, 2011, between the Company and Flat Iron Capital, a division of Wells Fargo Bank, N.A., or "Flat Iron", we were obligated to pay to Flat Iron an aggregate sum of $881,442, in ten payments of $89,357, at a 2.99% annual interest rate, commencing on November 1, 2011 and ending on September 1, 2012. As of September 30, 2012, the Company had repaid the entire balance under the Premium Finance Agreement, and had entered into a new premium financing agreement, dated October 10, 2012, with AFCO Acceptance Corporation AFCO . Pursuant to the new agreement, the company is obligated to pay AFCO an aggregate sum of $1,023,880.97 in eleven payments of $94,316, at a 2.647% annual interest rate, commencing on November 1, 2012 and ending on September 1, 2013. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period.

There have been no material changes in our critical accounting policies or critical accounting estimates since December 31, 2011. We have not adopted any accounting policies since December 31, 2011 that have or will have a material impact on our consolidated financial statements. For further discussion of our accounting policies see the Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements, as of and for the year ended December 31, 2011, included in the Leatt Corporation Form 10 registration statement, as amended, as well as the notes in this Form 10-Q.

We have identified the following as the items that require the most significant judgment and often involve complex estimation: revenue recognition, estimating allowances for doubtful accounts receivable, inventory valuation, impairment of long-lived assets and accounting for income taxes.

Revenue and Cost Recognition - All manufacturing of Leatt-Brace products is performed by third party subcontractors in China. The Company's products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area (collectively the "customers"). Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect. Revenue is considered to be realized or realizable and earned when all of the following criteria are met: title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed and determinable and collectability is reasonably assured. Since the Company (through its wholly owned subsidiary) serves as the distributor of Leatt products in the United States, the Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the dealer or to the ultimate consumer when there is no dealer in the geographic area and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer. International sales (other than in South Africa) are generally drop-shipped directly from the third party manufacturer to the international distributors.

Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point. Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned due to product quality issues. If a distributor relationship were to be terminated by Leatt, then product return may occur. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products.

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

Inventory Valuation Inventory is stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, we make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, we utilize historical experience as well as current market information. There was no reserve for obsolescence for the nine months ended September 30, 2012 and 2011.

Impairment of Long-Lived Assets Our long-lived assets include property and equipment. We evaluate our long-lived assets for recoverability whenever events or changes in circumstances indicate that an asset may be impaired. In evaluating an asset for recoverability, we estimate the future cash flow expected to result from the use of the asset and eventual disposition. If the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair value of the asset, is recognized. We have determined there was no impairment charge during the nine months ended September 30, 2012 and 2011.

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

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS." This update amended explanations of how to measure fair value to result in common fair value measurement and disclosure requirements in US GAAP and International Financial Reporting Standards. ASU 2011- 04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 with prospective application required. The Company adopted ASU 2011-04 during the first quarter of 2012. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. ASU No. 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of shareholders equity. All non-owner changes in shareholders equity instead must be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 is to be adopted retrospectively and will be effective for annual periods beginning after December 15, 2011. The adoption of ASU 2011-05 will not have an impact on the Company s consolidated financial position, results of operations, or cash flows, as the guidance only changes the presentation of financial information. In December 2011, the FASB issued ASU 2011-12 deferring the effective date for implementation of ASU 2011-05 related only to reclassification out of accumulated other comprehensive income until a later date to be determined after further consideration by the FASB.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment. ASU No. 2011-08 provides companies an option to perform a qualitative assessment to determine whether further goodwill impairment testing is necessary. If, as a result of the qualitative assessment, it is determined that it is more likely than not that a reporting unit s fair value is less than its carrying amount, the two-step quantitative impairment test is required. Otherwise, no further testing is required. ASU No. 2011-08 will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company s consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, "Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment." Under this amendment, an entity will have an option to first assess the qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative impairment test. ASU 2012-02 will be effective for the indefinite-lived intangible asset impairment test performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

Inflation

Inflation and changing prices have not had a material effect on our business and we do not expect that inflation or changing prices will materially affect our business in the foreseeable future. However, our management will closely monitor the price change in our industry and continually maintain effective cost control in operations.

Off-Balance Sheet Arrangements

As of September 30, 2012, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to its stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

As of September 30, 2012, the Company s management, under the direction of its Chief Executive Officer and the Chief Financial Officer, Mr. Sean Macdonald, carried out an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, the Company s Chief Executive Officer and Chief Financial Officer determined that the Company s disclosure controls and procedures were deemed to be effective.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting during the period ended September 30, 2012, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
<u>OTHER INFORMATION</u>

ITEM 1. LEGAL PROCEEDINGS.

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

Leatt is the exclusive licensee of certain patents, manufacturing, sale, use and distribution rights held by Xceed Holdings, including the patents to the Leatt-Brace®. On October 21, 2011, the Company sent a letter to Atlas subsidiary notifying them that certain models of Atlas neck braces infringe on the Company s patents, demanding that Atlas should cease and desist the manufacture, use, offer and sale of such products. Instead of complying with the Company s request, on December 1, 2011, Atlas filed a suit for judicial determination and declaratory judgment against the Company in the U.S. District Court for the Central District of California, that Atlas has not directly or indirectly infringed on certain of the Company s U.S. patents, and that the Company has not right or authority to threaten, complain of, challenge, maintain suit, or interfere in any manner with Atlas manufacture, importation, distribution and sale in the U.S. of its neck brace. Atlas also sued to recover attorney s fees and costs in connection with the suit. On January 18, 2012, the Company filed an answer with the Court against Atlas declaratory judgment motion and jointly countersuing Atlas (with Xceed) for patent infringement. The Company believes that Atlas case is without merit.

On October 1, 2010, a motorcycle rider filed a complaint against the Company in the U.S. District Court for the Western District of Kentucky for alleged strict liability and breach of product warranties, in connection with injury allegedly suffered by him during an accident while wearing one of the Company s products. The plaintiff is seeking a recovery for medical, hospital, rehabilitation and related care expenses, both in the past and throughout the plaintiff s lifetime; physical pain and mental suffering, both past and future; lost wages to the time of trial; permanent impairment of the plaintiff s power and ability to earn income; inconvenience; reasonable attorney s fees and costs; and punitive damages. The trial has been postponed to August 2013. The Company believes that the lawsuit is without merit and the Company plans to vigorously defend itself.

On December 30, 2011, a motorcycle rider brought suit against the Company in the United States District Court for the Northern District of Ohio (Eastern Division) for alleged breach of warranty and product liability claims in connection with injury allegedly suffered by him during an October 2011 accident while wearing one of the Company s products. The plaintiff is seeking damages in excess of $75,000 for compensatory and punitive damages together with interest and costs of bringing the action. The Company believes that the lawsuit is without merit and the Company plans to vigorously defend itself.

In February 2012, a complaint was filed against the Company on behalf of a motorcycle rider in the United States District Court for the Northern District of Ohio (Eastern Division) for alleged product liability claims in connection with injury allegedly suffered by the rider during an accident while wearing one of the Company s products**.** The plaintiff is seeking damages in excess of $75,000, for compensatory and punitive damages together with interest and costs of bringing the action. The Company believes that the lawsuit is without merit and the Company plans to vigorously defend itself.

On July 24, 2012, a motorcycle rider brought suit against the Company in Los Angeles (CA) Superior Court for alleged negligence, strict product liability, breach of expressed and implied warranties in connection with injury allegedly suffered by him during a September 2010 accident while wearing one of the Company s products. The plaintiff is seeking damages, together with interest and costs of bringing the action. The Company believes that the lawsuit is without merit and the Company plans to vigorously defend itself.

On September 20, 2012, a lawsuit was filed against the Company and other Defendants in Clark County District Court of Nevada for wrongful death of a motorcycle rider for alleged negligence, product defect, strict product liability, breach of expressed and implied warranties, survival and punitive damages. The plaintiff is seeking special, compensatory, survival and punitive damages, together with prejudgment interest, costs and disbursement of suit, reasonable attorneys fees and other relief. The Company believes that the lawsuit is without merit and the Company plans to vigorously defend itself.

ITEM 1A. RISK FACTORS.

There are no material changes from the risk factors previously disclosed in Item 1A Risk Factors of our Registration Statement on Form 10-12G, as amended on October 9, 2012.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

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

ITEM 6. EXHIBITS.

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

Exhibit No.	Description
31.1	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T

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

SIGNATURES

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

Date: November 14, 2012 **LEATT CORPORATION**

By: /s/ Sean Macdonald
Sean Macdonald
Chief Executive Officer and Chief Financial Officer
(*Principal Executive, Financial and Accounting Officer*)

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T

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