

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

Commission file number 000-53525

**LEO MOTORS, INC.**

**Zero-Emission Vehicle**

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

Copy to:

Cutler Law Group  
3355 W. Alabama Ste. 1150  
Houston, TX 77098  
Fax: 800-836-0714

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on which Registered

None

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock (\$.001 par value)

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "accelerated filer, large accelerated filer and smaller reporting company" as defined in Rule 12b-2 of the Exchange Act.

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

(Do not check if a smaller reporting company)

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2009 (the last business day of the registrant's most recently completed second fiscal quarter) was \$13,571,680.

The number of shares of the registrant's common stock outstanding as of March 31, 2010 was 50,708,115 shares.

**Leo Motors, Inc.**  
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## PART I

### Item 1. Business

#### A. Business Development

There were no changes to Business Development during the year.

#### B. Financial Information about Segments

As defined by generally accepted accounting principles (“GAAP”), we do not have any segments separate and apart from our business as a whole. Accordingly, there are no measures of revenue from external customers, profit and loss, or total assets aside from what is reported in the Financial Statements attached to this Form 10-K.

#### C. Business of the Company

##### *Overview*

Leo Motors, Inc., a Delaware Company (the “Company”), through its operating subsidiary Leo Motors, Co. Ltd., a Korean Company (“Leozone”), is in the business of developing and marketing Electric Vehicles (“EVs”) and EV components. Our current operations consist of developing the designs and prototypes of our EV models, testing, establishing relationships with potential customers, small scale sales of our EVs, and developing our business plan. Our ultimate goal is to begin full scale manufacture of our designs, enter the Global EV market and establish ourselves as a reputable provider of EVs and EV components.

Our overarching strategy is to gain an initial foothold in the EV market as a niche supplier, build our reputation as a technology leader and a socially responsible company, and develop our catalog of products and technology while the market for EV develops.

##### *Changes to Our Business*

There were many changes to our business during the year ended December 31, 2009. Our business plan remains to become a technology provider in the global EV market, however, due to the need to generate revenues in short term we decided to focus our efforts in 2009 on the development and marketing of electric scooters. The electric scooter market is widely open in many countries including Korea, Japan, and the US, and electric scooters are easier to capitalize, and are made more affordable for us because we can use technology we have developed. The market for electric motorcycles and scooters is growing because internal combustion engine (“ICE”) motorcycles and scooters make enormous emissions and noises.

We have developed three models of electric scooters, entered into agreements to manufacture and distribute them, and are in the process of testing and developing our marketing for the e-Bikes. We are targeting only fleet markets such as local government bodies, delivery companies, parks, and big companies during 2010. After we receive purchase orders, we have to spend at least \$100,000 to keep the inventory. We are going to spend \$100,000 for market costs during 2010.

In 2009, we finished test runs of vehicles with one 60kW power train (which includes a motor, controller and battery power packs), and two 60 kW multi motor power train. Using a single 60kW power train,

we developed electrified compact cars with existing car brands such as the Hyundai Morning and Nissan Cube models. These models have engines under 2,000cc. We also electrified a 24 seat bus using two 60kW motors. Electrification means the conversion of ICE cars into electric motor powered cars. These models were successfully tested, performing expressway speeds (more than 60 Mph), and showing good torque in high RPMs. They were able to pass ICE cars in the expressway, and could drive long hilly roads. With these test results, we are going to market our 60kW power train to existing car companies, and many fleet operators such as school bus and garbage truck operators who are interested in converting their ICE vehicles into EVs.

Our next step is the development of working prototypes of 120kW and 240 kW power trains which will be used in heavy duty vehicles such as buses and trucks. 120kW and 240 kW controllers are currently underway.

We have spent \$270,000 for the development of e-Bikes, and have already invested \$500,000 for the development of our power trains. We anticipate that completion of the 120kW power train and 240 kW power train prototypes by the end of April 2010. The development of these power trains will cost approximately \$500,000 US before we have fully implemented our business. After the development of prototypes, we must pilot test the models, which we anticipate will cost approximately \$300,000 to test our current prototypes and the prototypes on which we are currently working. Our initial plan was to complete working prototypes of all of our EV designs, but in 2009 we revised this plan, and we will not make prototypes of our passenger car designs until we achieve success in our bike and power train businesses.

The next step is to develop production capabilities of both our e-Bikes s and EV power trains. We intend to initially either outsource production or enter into joint ventures for the production of our electric vehicles and components. Accordingly, we do not expect the development of production capabilities will represent a significant cost. Once we have entered into agreements for the production of our EVs and components, we can begin full scale production and build our inventory. We anticipate these steps will cost approximately \$600,000, \$500,000 of which is attributable to the development of production capability such as moulds and manufacturing tool developments for controllers and Battery Management Systems (BMS's), and \$100,000 of which represents costs of developing inventory.

The steps toward implementing our business plan can be summarized by the following table:

*e-Bikes*

<b><u>Step</u></b>	<b><u>Anticipated Cost</u></b>	<b><u>Anticipated Start Date</u></b>
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	May 2010
<u>Marketing &amp; Sales</u>	<u>\$ 100,000</u>	<u>In process</u>
<b>Total</b>	<b>200,000</b>	

*Power Trains*

<b><u>Step</u></b>	<b><u>Anticipated Cost</u></b>	<b><u>Anticipated Start Date</u></b>
Initial Design	N/A	Completed
Initial Prototypes	\$ 500,000	April 2010

Testing	\$	500,000	May 2010
Production Capability	\$	500,000	September 2010
Production of Inventory	\$	100,000	December 2010
<u>Marketing &amp; Sales</u>	\$	<u>100,000</u>	<u>In process</u>
<b>Total</b>		1,700,000	

In addition to broadening the scope of our products, we intend to expand our business by entering new potential markets. One of our specific goals is to enter the US, Japanese, and EU markets by the end of 2010. However, if we are unable to timely finance our operations and to get the appropriate local partners, entering the these markets will not be feasible.

### ***Sales and Distribution Arrangements***

Since the beginning of 2009, we have entered into the following agreements or memoranda for the potential sales of our products and our services.

#### *M&M Corp*

We have appointed M&M Corp as our exclusive Korean provider of our electric scooters. Upon entering the agreement, M&M paid us 400,000,000 Korean Won as the down payment for the order of 170 units of e-scooters. In April, 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 300 billion Korean Won (approximately \$2.66 million US).

#### *Japanese Dealer*

We have entered into an MOU with Global Commerce in Japan in 2009. We have developed e-Box, a compact electric car through electrification of Nissan Cube. We also sold 10 units of our e-bikes to be used for samples and exhibition. Global Commerce was satisfied with our developments and scooters. For electrification of power trains for cars, Global Commerce needs to conduct more research and to find potential clients before they make decision to enter into the business. If they are successful, we expect definitive purchase orders for e-Boxes and scooters from Global Commerce during 2010.

Under the MOU, Global Commerce must pay 40% of the total amount of any definitive order in advance, 30% upon production, and the final 30% before we ship the products.

#### *Bike Lease Electric Motor Cycles*

We have entered into an agreement with Bike Lease in Korea, which is a motor cycle leasing company, to provide them with our electric motor cycles. The agreement calls for the purchase of 3,000 units of H5 annually at a price of 3,500,000 Korean Won (approximately \$3,000). But as we finalized the development, the cost increased such that we must raise the price to \$4,000 per unit. Thus, we need amend the contract. If Bike Lease accepts the changed price, we expect approximately \$12 million in revenues per year from this agreement.

We have contracted with Chulin Home Tech Co., Ltd. to manufacture the electric motor cycles for Bike Lease. Production is conditional on Chulin receiving adequate funds, and so Bike Lease must pay 30% of the total amount in advance, 40% 30 days after initiation of production, and 30% when receiving the products. In addition, Chulin cannot accommodate more than 1,000 units per month.

### Puerto Princesa e-Taxis

We had entered into an agreement with the government of Puerto Princesa, Phillipines to supply 2,500 e-Taxis in Puerto Princesa. However, the production of the e-Taxis was delayed because the required initial capital had not been paid into the joint venture. We had raised sufficient funding to satisfy our obligation to pay \$300,000 into it, however the city government had not yet paid its initial required contribution of Php14 million (approximately \$300,000).

This project was delayed more than one year. Since we received no progress from the City, we dropped this project and focused on other projects.

### Thailand Reverse Tricycle Scooters

We have signed a Memorandum of Understanding (“MOU”) with Global Electric Motor Cars Asia Co., Ltd. in Thailand (“GEM Thailand”) to develop, manufacture and supply Reverse Tricycle Scooters. The MOU anticipates the execution of a definitive agreement, but currently is not an enforceable contract. We have been unable to make any progress with negotiating the definitive agreement. We are going to drop this project if we cannot enter the definitive agreement by June of 2010.

### MGM Studio City (Korea) Tourism Vehicle

Effective November 22, 2006, we entered into an agreement with CUSCO Group of Seoul, Korea, for the development and design of the traffic and transportation means (mobile vehicles, monorails, etc.) to be available internally and externally in the theme park complex for the users of MGM Studio City. MSC Korea, a subsidiary of CUSCO Group, has been authorized by MGM Film Co. of USA to build MGM Studio City in Inchon, Korea. Under the agreement, our services include research and development, economic feasibility of the moving path and the operation system, technical feasibility study, and development and testing of the transportation means selected. Total amount to be paid to us under the contract was 1,500,000,000 Korean Won (about \$990,000 at the current exchange rate).

Under the agreement, the Company developed and delivered a V1 resort EV to CUSCO, which is a resort/tourism vehicle designed to transport passengers around resorts and other tourist destinations. The sales amount of \$462,107 was recorded as revenue in March 2009.

The agreement with CUSCO expires Dec 31, 2010. CUSCO has suspended the MGM Studio City project currently until negotiations with the local government to purchase the land are completed. During this time we have stopped providing any services or products to CUSCO, therefore we cannot expect any further revenue from the agreement within near future.

### ***EV Controllers***

We have typically used controllers which were made to order by outside suppliers. They are conversions from controllers used in industrial electric machinery. More than half of the parts in these controllers are useless for the purposes of our EVs. We also found that these controllers must be programmable if they are to control the speed and torque of EV motors and communicate with the EV’s power pack. Therefore, we have been developing our own controllers since July 2009.

We intend to develop an EV-specialized controller imbedded with our power management solutions. These modes solutions are designed to make EVs run long and steep hills, avoid suddenly losing power after reaching peak power, and successfully pass other ICE cars on high speed roads through by allowing quick acceleration at high speed (60 mph or more).

We intend to develop our controllers programmable in a way that they can be customized in various vehicle types and power requirements. We plan to reduce the size and costs of our own design controllers by eliminating unnecessary parts in existing controllers and integrating circuits into digital chipsets.

### ***Marketing***

Our initial marketing strategy is to focus on individual sales to fleets and EV manufacturers. We have already begun marketing our scooters to governments and companies throughout the world.

We plan to emphasize the following selling points:

- Our scooters can achieve comparable power with ICE scooters as it generates proper torque in any RPM ranges, and can mount hills without power loss.
- We have a wide range of power trains available, including the 1kW, 3kW, 6kW, 10kW, 15kWS, 30kW, 30kW, 60kW, and 120kW power system. Our 240kW power system is under development. Using our Multi Motor System, we can achieve power more than 240kW. Thus we can cover all electric power requirements from smallest scooters to truck and buses.
- We have many different voltage battery management systems (BMS) available, including 48 volt, 72 volt, 140 volt, 320 volt, and 380 volt. Our BMS balances the voltage differences between cells up to 1 micro volt, for more efficient and safer charging and discharging.

### **Item 1A. Risk Factors**

Not required by smaller reporting companies.

### **Item 1B. Unresolved Staff Comments**

We filed a registration statement on Form 10 on December 10, 2008, and Amendments to the Form 10 on March 3, 2009, April 27, 2009, and September 9, 2009. We have received comments from the SEC on the latest Amendment and are in the process of responding to them. Until the Form 10 has cleared comments, we and our shareholders cannot rely on the Form 10 or our subsequent periodic reports to satisfy a requirement of current adequate information for any securities transactions.

In addition to comments on our form 10, we are subject to a continuing requirement to update our Quarterly and Annual Reports to be consistent with any changes made to our Form 10.

We do not currently have any other unresolved staff comments.

### **Item 2. Properties**

We operate out of an office and workshop located at 291-1, Hasangok-dong, Hanam City, Gyeonggi-do, Republic of Korea 465-250.

At this time we do not intend to establish any manufacturing facilities ourselves. Instead we will either outsource manufacturing of our products, or enter into joint ventures with partners who will provide the manufacturing facilities.



As the market for our product develops, we may decide to establish our own facilities in various locations, outsource manufacturing of our other products, or enter into additional joint ventures for the manufacturing of our EVs.

### **Item 3. Legal Proceedings**

None.

### **Item 4. (Removed and Reserved)**

None.

## **PART II**

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

#### **Market Information**

Our common stock is quoted in United States markets on the Pink Sheets, maintained by Pink OTC Markets, Inc., a privately owned company headquartered in New York City, under the symbol "LEOM." There is no assurance that the common stock will continue to be traded on the Pink Sheets or that any liquidity exists for our shareholders.

#### **Market Price**

The following table shows the high and low per share price quotations of the Company's common stock as reported by the Pink Sheets for the periods presented. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not necessarily represent actual transactions. The Pink Sheets market is extremely limited and the prices quoted by brokers are not a reliable indication of the value of the common stock. The periods presented represent fiscal quarters, with the fourth quarter of each year ending on December 31.

	HIGH	LOW
<i>Fiscal 2009</i>		
First Quarter	\$0.70	\$0.11
Second Quarter	\$1.05	\$0.10
Third Quarter	\$0.80	\$0.39
Fourth Quarter	\$3.42	\$0.50

As of December 31, 2009, the Company had 100,000,000 shares of common stock authorized with 40,708,115 shares issued and outstanding, and approximately 9,294,694 freely tradable shares in the public float. These shares were held by approximately 885 shareholders of record and Company estimates by over 1,000 beneficial shareholders.

#### **Penny Stock Regulations**

Our common stock is quoted in United States markets on the Pink Sheets, maintained by Pink OTC Markets, Inc., a privately owned company headquartered in New York City, under the symbol "LEOM." On March 31, 2009 the last reported sale price of our common stock was \$2.00 per share. As such, the

Company's common stock may be subject to provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), commonly referred to as the "penny stock rule."

Section 15(g) and Rule 15g-9 sets forth certain requirements for transactions in penny stocks, in particular that either (1) the transaction meets one of a few specific exemptions, or (2) the broker dealer executing the transaction for a customer (a) obtain informed consent from the customer and (b) make an individualized determination of the customer's suitability for trading in penny stocks based on personal financial information. Rule 15g-9(d) incorporates the definition of "penny stock" that is found in Rule 3a51-1 of the Exchange Act. The SEC generally defines "penny stock" to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. As long as the Company's common stock is deemed to be a penny stock, trading in the shares will be subject to additional sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors.

### **Dividends**

The Company has not issued any dividends on the common stock to date, and does not intend to issue any dividends on the common stock in the near future. We currently intend to use all profits to further the growth and development of the Company.

### **Recent Sales of Unregistered Securities**

During the year ended December 31, 2009, and in the subsequent period through the date hereof the Company made the following issuances of unregistered securities:

On February 3, 2010 we issued 3,000,000 shares to members of our management team as compensation for their services. 2,000,000 shares were issued to our president, Mr. Kang. 500,000 shares each were issued to Jung Yong Lee and Young Il Kim. This issuance was completed in accordance with Section 4(2) of the Securities Act in an offering without any public offering or distribution. These shares are restricted securities and include an appropriate restrictive legend.

On February 22, 2010 we issued 7,000,000 shares to purchase 50% of Leo B&T. This issuance was completed in accordance with Section 4(2) of the Securities Act in an offering without any public offering or distribution. These shares are restricted securities and include an appropriate restrictive legend.

### **Purchases of Equity Securities**

None.

### **Item 6. Selected Financial Data**

Not required by smaller reporting companies.

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation**

#### **Forward-Looking Statements**

Statements about our future expectations are "forward-looking statements" within the meaning of

applicable Federal Securities Laws, 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 in Item 1A under the caption "Risk Factors," in this Annual Report on Form 10-K for the year ended December 31, 2008, and other filings with the SEC, and are subject to change at any time. Our actual results could differ materially from these forward-looking statements. We undertake no obligation to update publicly any forward-looking statement.

### ***Overview***

Leo Motors, Inc. (the "Company") is currently focusing on the development, production, marketing and sale of its e-Scooters and power trains. We also have several other projects in development stages that have been put on hold pending the success of our e-Scooters and power trains.

### ***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 2009, the Company had incurred \$3,357,968 in expenses and had realized only \$896,953 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 revenues from our distribution agreement in Korea; accordingly, we have already secured our annual operating budget for 2009. However, in order to continue the projects we have put on hold, we will require additional revenues or financing.

Our long term survival will depend on the growth of our operations towards full scale manufacturing and sales of our EVs, which in turn will depend on our ability to raise sufficient financing. If our fund raising efforts should fail or fall short of our goal, we will have to restructure our business plan in order to sustain our operations. However, in that event we may be unable to implement our business plan or continue operations.

### ***Results of Operations - 2009 vs. 2008***

#### ***Revenues***

Sales for the year ended December 31, 2009, were \$896,953 compared to \$82,435 for the year ended December 31, 2008. Costs of sales were \$787,423 and gross profit was \$109,530 compared to \$35,511 in costs of sales and \$46,924 in gross profit for 2008.

The sales made through December 31, 2009 are not generated from recurring business operations as most of our sales to date are of product samples or development services. The company has almost completed the development of electric bike for mass production which will be launched in the market during the 2<sup>nd</sup> or 3<sup>rd</sup> quarters of 2010. During the year we also received 3 orders to convert engine vehicles to electric vehicles, which amounted to \$318,814; and we delivered our Resort EV to Cusco, which amounted to \$391,726 in revenues.

The following is a detailed description of the products sold in 2009:

<u>Product</u>	<u>Units</u>	<u>Price</u>
e-Bike	14	\$ 40,761
Resort EV	1	\$391,726
Power train	3	\$ 54,615
World Box	3	\$ 91,009
Service for Conversion	3	\$318,841

### *Expenses*

During the year, we incurred \$3,357,968 in expenses, compared to \$317,761 in 2008. The primary increase was due to payment of consulting and service fee by stock for \$2,413,055. The company also hired more than 18 employees during 2009 and the number of employees was increased from 6 in 2008 to 24 in 2009. The company also rented an additional two buildings near our existing office as an R&D Center and a sales office.

Expenses for 2009 and 2008 consisted of the following:

<u>Expenses:</u>	<b>2009</b>	<b>2008</b>
Salaries and Benefits	\$ 598,418	\$ 169,149
Consulting and Service Fees	2,413,055	23,132
Selling, General and Administrative	346,495	125,480

*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.

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

*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.

### ***Off-Balance Sheet Arrangements***

None.

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

None.

## **Item 8. Financial Statements and Supplementary Data**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board Members of Leo Motors, Inc.:

We have audited the accompanying consolidated statements of financial position of Leo Motors Inc. as of December 31, 2009 and 2008 and the related consolidated statements of operation, changes in stockholders' interest and cash flows for each of the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for my opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Leo Motors, Inc. as of December 31, 2009 and 2008, and the results of its consolidated operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 15 to the financial statements the Company incurred a net loss during the years ended December 31, 2009 and 2008 and has a retained deficit at December 31, 2009. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

\s\ Gruber & Company LLC  
Gruber & Company LLC

Dated April 5, 2010  
Lake St. Louis, Missouri

**LEO MOTORS, INC.**  
**Consolidated Balance Sheets**

<u>ASSETS</u>	NOTE	As of December 31,	
<b>CURRENT ASSETS</b>		<u>2009</u>	<u>2008</u>
Cash in banks		\$ 499,025	\$ 32,181
Accounts Receivable-net of allowance of \$8,394 and \$11,735, respectively	NOTE 4	244,670	13,854
Inventory	NOTE 5	395,001	35,575
Prepaid costs and other current assets		<u>151,067</u>	<u>130,568</u>
<b>TOTAL CURRENT ASSETS</b>		1,289,763	212,178
Fixed assets- net of accumulated depreciation	NOTE 6	157,981	5,940
Deposit		<u>107,640</u>	<u>63,104</u>
<b>TOTAL OTHER ASSETS</b>		<u>265,621</u>	<u>69,044</u>
<b>TOTAL ASSETS</b>		<u>\$ 1,555,384</u>	<u>\$ 281,222</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u></b>			
Commitments and Contingencies	NOTE 13		
<b>CURRENT LIABILITIES</b>			
Short term borrowings	NOTE 9	\$ 428,229	\$ -
Accounts payable and accrued expenses		433,004	16,850
Other payables		5,847	
Taxes Payable		-	2,080
Payments received in advance from customers	NOTE 8	296,167	396,197
Related party payable	NOTE 7	<u>-</u>	<u>804,794</u>
<b>TOTAL CURRENT LIABILITIES</b>		1,163,247	1,219,921
Accrued severance benefits		<u>30,030</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		1,193,277	1,219,921
Minority interest		1,020,428	-
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>			
Common stock, Authorized 100,000,000 Shares, \$0.001 par value, 40,708,115 and 31,613,115, shares issued and outstanding	NOTE 10	40,708	31,613
Additional paid-in capital		3,964,160	323,351
Comprehensive income (Loss)		406,476	237,386
Deficit		<u>(5,069,666)</u>	<u>(1,531,049)</u>
<b>TOTAL STOCKHOLDERS' Deficit</b>		<u>(658,322)</u>	<u>(938,699)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		<u>\$ 1,555,384</u>	<u>\$ 281,222</u>

*Please see the accompanying notes*

**LEO MOTORS, INC.**  
**Consolidated Statement of Operations**

		For the fiscal years ended December 31,	
	NOTE	<u>2009</u>	<u>2008</u>
Sales	NOTE 1	\$ <u>896,953</u>	\$ <u>82,435</u>
<b>TOTAL SALES</b>		896,953	82,435
<b>COST OF SALES</b>		<u>(787,423)</u>	<u>(35,511)</u>
<b>GROSS PROFIT</b>		109,530	46,924
<b>EXPENDITURES :</b>			
Salaries and benefits		598,418	169,149
Consulting and service fees	NOTE 1	2,413,055	23,132
Selling , general and administrative		<u>346,495</u>	<u>125,480</u>
<b>TOTAL EXPENDITURES</b>		<u>3,357,968</u>	<u>317,761</u>
<b>NET LOSS FROM OPERATIONS</b>		(3,248,438)	(270,837)
<b>OTHER INCOME &amp; (EXPENSES)</b>			
Interest income		1,631	-
Interest expense		(9,551)	-
Non-operating income		92,652	105,268
Non-operating expense		<u>(214,738)</u>	<u>-</u>
Total Other Income & (Expenses)		<u>(130,006)</u>	<u>105,268</u>
<b>NET LOSS BEFORE INCOME TAX &amp; BENEFIT</b>		(3,378,444)	(165,569)
Current income taxes	NOTE 1	-	-
Loss attributable to minority interest		<u>(160,173)</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>		<u>\$ (3,538,617)</u>	<u>\$ (165,569)</u>
<b>COMPREHENSIVE LOSS:</b>			
Unrealized foreign currency transaction gain (loss)	NOTE 1	<u>4,698</u>	<u>(540)</u>
<b>COMPREHENSIVE INCOME (LOSS)</b>		<u>\$ (3,533,919)</u>	<u>\$ (166,109)</u>
<b>LOSS PER SHARE - BASIC &amp; DILUTED</b>	NOTE 3	<u>(0.09)</u>	<u>(0.01)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		<u>37,743,179</u>	<u>30,637,515</u>

*Please see the accompanying notes*



**LEO MOTORS, INC.**  
**Consolidated Statement of Stockholders' Equity (Deficit)**

	<u>Common Shares</u>	<u>Stock Amount</u>	<u>Additional Paid in Capital</u>	<u>Comprehensive income(Loss)</u>	<u>Earnings (Deficit)</u>	<u>Total Stockholders' Equity</u>
Balance, January 1, 2008	\$ 30,312,315	\$ 30,312	\$ 181,570	\$ -	\$ (357,796)	\$ (145,914)
Net loss for the year				(52,446)	(1,007,144)	(1,059,590)
Balance December 31, 2007	30,312,315	30,312	181,570	(52,446)	(1,364,940)	(1,205,504)
Stock issued for debt and services	1,300,800	1,301	141,781			143,082
net Loss for the year				<u>289,832</u>	<u>(166,109)</u>	<u>123,723</u>
Balance, December 31, 2008	31,613,115	31,613	323,351	237,386	(1,531,049)	(938,699)
Stocks issued for service and cash during the year	9,095,000	9,095	3,640,809			3,649,904
Net loss for the year ended December 31, 2009					(3,538,617)	(3,538,617)
Foreign currency translation adjustment				<u>169,090</u>		<u>169,090</u>
Balance, December 31, 2009	<u>40,708,115</u>	<u>\$ 40,708</u>	<u>\$ 3,964,160</u>	<u>\$ 406,476</u>	<u>\$ (5,069,666)</u>	<u>\$ (658,322)</u>

*Please see the accompanying notes*

**LEO MOTORS, INC.**  
**Consolidated Statement of Cash Flows**

	For the fiscal years ended	
	December 31	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (3,538,617)	\$ (166,109)
Adjustments to reconcile net loss to net cash provided by operating activities : Stock issued	-	143,082
Depreciation	39,195	18,601
Comprehensive loss	169,090	289,832
(Increase) decrease in inventory	(359,426)	(16,260)
(Increase) decrease in accounts receivable	(230,816)	687
(Increase) decrease in deposit/prepaid	(20,499)	79,990
Increase (decrease) in accounts payables and accrued expenses	416,154	-
Increase (decrease) in other payable	5,847	-
Payments in advance from customers	(100,030)	(136,198)
Increase (decrease) in taxes payable	(2,080)	(32,708)
Increase (decrease) in accrued severance benefits	30,030	-
Net Cash Provided by (Used in) Operating Activities	(3,591,152)	180,917
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(191,236)	-
Outlay for deposit	(44,536)	-
Net Cash Provided by (Used in) Investing Activities	(235,772)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowing, net of repayment during the period	428,229	-
Debt reduction related party	(804,794)	(186,797)
Increase in minority interest	1,020,428	-
Issuance of common stocks	3,649,904	-
Net Cash flows from financing activities	4,293,767	(186,797)
Effect of exchange rate on cash	-	-
Net Increase (Decrease) in Cash	466,843	(5,880)
Cash at the Beginning of the period	32,181	38,061
Cash at the End of the period	\$ 499,025	\$ 32,181
<b>Supplemental Cash Flow Disclosures:</b>		
Cash paid during year for interest	\$ 9,551	\$ -
Cash paid during year for taxes	\$ -	\$ -

*Please see the accompanying notes*

**LEO MOTORS, INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009**

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Business

Company is currently in development, assembly and sales of the specialized electric vehicle.

Background

Leo Motors, Inc, Inc (the "Company") was originally incorporated as Classic Auto Accessories, a California Corporation on July 2, 1986. The Company then underwent several name changes from FCR Automotive Group, Inc. to Shini Precision Machinery, Inc. to Simco America Inc. and then to Leo Motors. The Company had been dormant since 1989, and effectuated a reverse merger on November 12, 2007 with Leozone Inc., a South Korean Company, which is the maker of electrical transportation devices. The merger essentially exchanges shares in Leo Motors, Inc. for shares in Leozone. As this is a reverse merger the accounting treatment of such is that of a combination of the two entities with the activity of Leozone, Inc. the surviving entity, going forward. The financial statements reflect the activity for all periods presented as if the merger had occurred January 1, 2007.

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 is recognized when risk of ownership and title pass to the buyer, generally upon the delivery of professional services. Pricing is fixed and determinable according to the Company's published brochures and price lists.

### 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. The Company has established a reserve on receivables of \$ 8,394 in 2009 and \$11,735 in 2008.

### 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 December 31, 2009. At December 31, 2009, our bank deposits were \$498,238.

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 (\$.000856458) and revenues and expenses are translated at weighted average exchange rates for the period, which was (.0000783453) and resulting translation adjustments are recorded as a component of stockholders' equity in other comprehensive income (loss).

### Advertising Costs

Advertising costs are expensed as incurred. The total advertising expense were \$ 2,992 and have been included as part of selling and marketing expenses.

### 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

It consist of consist of accounting, legal, and professional fees and in 2009, most of it 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 December 31, 2009 was \$ 4,698. 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 December 31, 2009 and for the year then ended, the exchange rate for the local currency, KRW was \$ 1 USD for 1,167.60and 1,276.40 KRW, respectively.

## Recent Accounting Pronouncements

In April 2009, the FASB released ASC Topic 820, formerly FSP SFAS 157-4, Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ("SFAS No. 157-4"). SFAS No. 157-4 supersedes SFAS No. 157-3. SFAS No. 157-4 provides guidance on how to determine the fair value of assets and liabilities when the volume and level of activity for the asset/liability has significantly decreased. SFAS No. 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. In addition, SFAS No. 157-4 requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques. SFAS No. 157-4 is effective for interim and annual periods ending after June 15, 2009 (June 30, 2009 for the Company) and shall be applied prospectively. SFAS No. 157-4 does not have a material impact on the preparation of and disclosures in the Company's financial statements.

In May 2009, the FASB issued ASC Topic 855-10-5, formerly SFAS No. 165, Subsequent Events ("SFAS No. 165"). SFAS No. 165 establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires entities to disclose the date through which it has evaluated subsequent events and the basis for that date. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009. The Company adopted SFAS No. 165 on June 30, 2009 (see note 10 in the notes to the financial statements included in this Report on Form 10-K).

In June 2009, the FASB issued an amendment of ASC Topic 860, formerly SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140 ("SFAS No. 166"). The objective of SFAS No. 166 is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS No. 166 removes the concept of a qualifying special-purpose entity from Statement 140 and removes the exception from applying FASB Interpretation No. 46, Consolidation of Variable Interest Entities, to qualifying special-purpose entities. Additionally, SFAS No. 166 defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale, and also requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. SFAS No. 166 is effective for fiscal periods ending after November 15, 2009 (January 1, 2010 for the Company). The Company is currently evaluating the impacts and disclosures related to SFAS No. 166.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS No. 167"). SFAS No. 167 amends guidance in Interpretation 46 (R) for determining whether an entity is a variable interest entity in addition to subjecting enterprises to a number of other requirements including, among other things: (i) requiring an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity and specifies the characteristics the primary beneficiary of a variable interest entity must have to be designated as such; (ii) requiring an enterprise to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance; (iii) requiring the ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity; (iv) the elimination of the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, and (v) adding an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in

facts and circumstances occur such that investors of the equity investment at risk, as a group, lose the power from voting or similar rights of the investment to direct the activities of the entity that have the most significant impact on the entity's economic performance. SFAS No. 167 is effective for fiscal and interim periods ending after November 15, 2009 (January 1, 2010 for the Company). The Company is currently evaluating the impacts and disclosures related to SFAS No. 167.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 ("SFAS No. 168"). SFAS No. 168 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. SFAS No. 168 is effective for fiscal and interim periods ending after September 15, 2009 (September 30, 2009 for the Company). The Company is currently evaluating the impacts and disclosures related to SFAS No. 168.

In August 2009, the FASB issued Accounting Standards Update ("ASU") 2009-05, Fair Value Measurements and Disclosures — Measuring Liabilities at Fair Value (amendments to ASC Topic 820, Fair Value Measurements and Disclosures). ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. ASU 2009-05 is effective for interim and annual periods beginning after August 27, 2009. The Company adopted this guidance on November 1, 2009 which did not have a material impact on its financial position, results of operations or cash flows.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures — Improving Disclosures about Fair Value Measurements (amendments to ASC Topic 820, Fair Value Measurements and Disclosures). ASU 2010-06 amends the disclosure requirements related to recurring and nonrecurring measurements. The guidance requires new disclosures on the transfer of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance is effective for interim and annual periods beginning after December 15, 2009. The adoption of ASU 2010-06 is not expected to have a material impact on the Company's financial position, results of operations or cash flow.

In February 2010, the FASB issued ASU 2010-09, Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements (amendments to ASC Topic 855, Subsequent Events). ASU 2010-09 clarifies that subsequent events should be evaluated through the date the financial statements are issued. In addition, this update no longer requires a filer to disclose the date through which subsequent events have been evaluated. This guidance is effective for financial statements issued subsequent to February 24, 2010. The Company adopted this guidance on this date, which did not have a material impact on its financial position, results of operations or cash flows.

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. December 31, 2009 balance of accounts receivable was \$ 244,670, net of reserve for doubtful accounts. The Company has established a reserve for allowance for doubtful accounts in 2009 equal to \$8,394.

### 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 December 31, 2009, the inventory consisted of:

Raw materials	\$ 161,947
Finished goods	<u>233,054</u>
TOTAL	<u>\$ 395,001</u>

### NOTE 6 - FIXED ASSETS

The Company's assets consist of the following:

Vehicles	\$ 77,753
Tools	67,679
Equipment, furniture , fixtures and equipment	<u>55,396</u>
	200,828
Less Accumulated Depreciation	<u>(42,847)</u>
Net	<u>\$ 157,981</u>

The Company depreciates it assets over useful lives of between 3 and 7 years. Depreciation expense was \$ 39,195 in 2009.

### NOTE 7 - 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 8 - PAYMENTS RECEIVED IN ADVANCE

The Company during the periods received payments from potential customers, or deposits, on future orders. The Company's policy is to record these payments as a liability until the product is completed and shipped to the customer at which the Company recognizes revenue. As of December 31, 2009, the balance of payments received in advance was \$ 296,167.

#### NOTE 9-BANK LOAN

The Company is indebted to Shin Han Bank at December 31, 2009 for \$ 428,229, 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 10 – CAPITAL STOCK

Company has only one class of stock, common stock. For the year ended December 31, 2009 the Company issued 9,095,000 shares. The shares for services were recognized as an expense in Consulting and service fees. The Company is authorized to issue 100,000,000 shares and as of December 31, 2009, the Company has 40,708,115 shares issued and outstanding.

#### NOTE 11 – 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 12 – 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 December 31, 2009, 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     \$ 896,953

## NOTE 13 – COMMITMENT AND CONTINGENCIES

### 13.1 Lease Commitments

Company leases its office space and assembly facilities in HaNam City in Korea which expires on 03/31/2011 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 December 31, 2009 were \$ 32,252.

### 13.2 Litigation

The Company has no threatened, pending or unsettled litigation as of April 5, 2010, the date the financial statement is available for issuance.

## NOTE 14 – SUBSEQUENT EVENTS

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.

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 300 billion Korean Won (approximately \$2.66 million US).

#### NOTE 15—GOING CONCERN

As shown in the accompanying financial statements, the Company incurred a net loss of \$3,538,617 during the year ended December 31, 2009, and as of that date, the Company has a deficit of \$5,069,666. 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 14 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.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

### **Item 9A. Controls and Procedures**

#### **(a) Evaluation of disclosure controls and procedures**

Our management, including our Principal Executive and Principal Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2009. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a *et seq.*) is recorded, processed, summarized, and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2009.

#### **(b) Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of our Chief Executive Officer, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management has concluded that our internal control over financial reporting was ineffective as of December 31, 2009 and there are material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses relate to the limited number of persons responsible for the recording and reporting of financial information, the lack of separation of financial reporting duties, and the limited size of our management team in general. We are in the process evaluating methods of improving our internal control over financial reporting, including the possible addition of financial reporting staff and the increased separation of financial reporting responsibility, and intend to implement such steps as are necessary and possible to correct these material weaknesses.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K. Our registered public accounting firm will not be required to opine on internal controls until fiscal 2010.

(c) Change in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

*Director and Executive Officer Summary*

The following table sets forth the names, ages, and principal offices and positions of our current directors, executive officers, and persons we consider to be significant employees. The Board of Directors elects our executive officers annually. Our directors serve one-year terms or until their successors are elected, qualified and accept their positions. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. There are no family relationships or understandings between any of the directors and executive officers. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

<b>Name of Director or Officer</b>	<b>Age</b>	<b>Position</b>
Robert S. C. Kang	49	Chief Executive Officer, President and Interim Chief Financial Officer
Jung Yong ("John") Lee	45	Chief Technical Officer and Director
Young Il Kim	54	Director

### ***Executive Officer and Director Bios***

#### ***Robert S. C. Kang, Chief Executive Officer, President and Interim Chief Financial Officer***

Dr. Kang is a marketing Ph.D. and has worked in international advertising and corporate marketing for more than 25 years. He began his carrier at Oricom, the largest ad agency in Korea and a McCann Ericson affiliate. Dr. Kang managed Leo Burnett Korea and BBDO Dong Bang, advertising companies, introducing these companies to Korea. He founded one of the leading advertising companies in Korea, Ad Express and On & Off, and managed the firms for 11 years. One & Off merged into WPP Group as he became president of META B, a management consulting firm. Recently, he served as president of Pico North Asian, a multinational global event marketing company in Hong Kong for two years. Dr. Kang joined the Company as its chairman, CEO and interim CFO on November 1, 2008, and will focus on business development, global marketing, and financing of Leo Motors.

He got his BS (Literature) at Korea Univ. MA (Advertising) in University of Oregon, and Ph.D. (Marketing) at Dongguk Univ. in Korea.

#### ***Jung Yong (John) Lee, Chief Technical Officer and Director***

Mr. Lee joined the Company's operating subsidiary as its CEO and President in June 2006, and joined the Company upon its acquisition on September 3, 2007. In November 2008 he resigned as CEO and President but remained with the Company as CTO and Director. Prior to joining the Company, Mr. Lee has held several positions in EV design and projects. He lead the Research and Development Department for Geo EV beginning in 2002, and for Pyeonghwa Motors, a Korean car manufacturer and dealer, beginning in February 2004. His experience includes heading projects that have incorporated the Polymer Battery, Dual Motor System, and alternative energy vehicle design. He has also worked on the Ford SUV Concept Project for 1997's Melbourne Motor show, the City Car Project, and the Limousine Project.

Mr. Lee received his Masters of Industrial Design (Vehicle Styling) from RMIT University in Melbourne, Australia, and his PhD in Industrial Design from the University of New South Wales in Sydney, Australia. He has taught Engineering Industrial Design at Dankook University in Seoul, South Korea.

#### ***Young Il Kim, Director***

Dr. Kim joined the Company on October 11, 2009. Dr. Kim began his career in the auto industry in 1988, at Panther Sports Car as Senior Designer and Manager. He later served as Chief Designer of commercial vehicles and concept vehicles at Sang-Yong Motor Company before joining the Hyundai Motor Group in 1995.

From 1995 through 2007, Dr. Kim held various positions of increasing responsibility under the Hyundai and Kia Motors Group umbrella, including Chief Designer at Hyundai Precision through March 2005, Chief Designer and Senior Vice President at Hyundai and Kia Marketing Division from March 2005 to September 2006, and Executive Vice President in the Marketing Division in charge of Brand and Design Differentiation between Hyundai and Kia Motors from September 2006 to February 2007. From then until March 2009 he was CEO and President of Innocean Worldwide, a Marketing and Advertising Company of the Hyundai and Kia Group.

Dr. Kim, who holds an Industrial Designer of Product Design degree from Wuppertal University, Germany, and a PhD in Design from Kook-Min University, Seoul, Korea, has enjoyed a distinguished academic career as well, having lectured at various colleges and universities on the subjects of design and

marketing since 2000. Dr. Kim was a visiting professor at Gothenburg University, Sweden during the 2004/05 academic year, and is currently serving as a visiting professor at Kyung-hee University, where he began in August 2009.

### ***Legal and Disciplinary History***

No officer, director or control person of the Company has been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

### ***Section 16(a) Beneficial Ownership Reporting Compliance***

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires our directors and officers, and persons who own more than ten percent of the Common Stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC") and the American Stock Exchange. SEC regulations require reporting persons to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of the Forms 3, 4 and 5 and amendments thereto furnished to us by the persons required to make such filings during fiscal 2008 and our own records, we believe that no officer or director failed to file timely a Form 3, 4 or 5 during the year ending December 31, 2009.

### ***Corporate Governance.***

We have not adopted a code of ethics do date. We are in the process of evaluating the standards of conduct necessary for the deterrence of malfeasance and the promotion of ethical conduct and accountability, and will determine whether a code of ethics is necessary based on our evaluation.

The Company does not have a standing Nominating Committee. There have been no changes to the procedures whereby security holders may recommend nominees to the registrant's board of directors.

The Company is not a "listed issuer" as defined by Rule 10A-3, and does not have a standing Audit Committee. We do not have a financial expert serving on our board of directors.



## Item 11. Executive Compensation

### *Compensation Discussion and Analysis*

#### *Objectives and Philosophy of our Executive Compensation Program*

We do not have a standing compensation committee. Our board of directors as a whole makes the decisions as to employee benefit programs and officer and employee compensation. The primary objectives of our executive compensation programs are to:

- attract, retain and motivate skilled and knowledgeable individuals;
- ensure that compensation is aligned with our corporate strategies and business objectives;
- promote the achievement of key strategic and financial performance measures by linking short-term and long-term cash and equity incentives to the achievement of measurable corporate and individual performance goals; and
- align executives' incentives with the creation of stockholder value.

To achieve these objectives, our board of directors evaluates our executive compensation program with the objective of setting compensation at levels they believe will allow us to attract and retain qualified executives. In addition, a portion of each executive's overall compensation is tied to key strategic, financial and operational goals set by our board of directors. We also generally provide a portion of our executive compensation in the form of options that vest over time, which we believe helps us retain our executives and align their interests with those of our stockholders by allowing the executives to participate in our longer term success as reflected in asset growth and stock price appreciation.

#### *Named Executive Officers*

The following table identifies our principal executive officer, our principal financial officer and our most highly paid executive officers during the last full fiscal period reported herein, who, for purposes of this Compensation Disclosure and Analysis only, are referred to herein as the "named executive officers."

<u>Name</u>	<u>Corporate Office</u>
Shi Chul (Robert) Kang	President, CEO and Interim CFO

#### *Components of our Executive Compensation Program*

At this time, the primary elements of our executive compensation program are base salaries and option grant incentive awards, although the board of directors has the authority to award cash bonuses, benefits and other forms of compensation as it sees fit.

We do not have any formal or informal policy or target for allocating compensation between short-term and long-term compensation, between cash and non-cash compensation or among the different forms of non-cash compensation. Instead, we have determined subjectively on a case-by-case basis the appropriate level and mix of the various compensation components. Similarly, we do not rely extensively on benchmarking against our competitors in making compensation related decisions, although we may consider industry compensation trends as one of many factors in our case-by-case determination of proper compensation.

### Base salaries

Base salaries are used to recognize the experience, skills, knowledge and responsibilities required of our named executive officers. Base salary, and other components of compensation, may be evaluated by our board of directors for adjustment based on an assessment of the individual's performance and compensation trends in our industry.

### Equity Awards

Our stock option award program is the primary vehicle for offering long-term incentives to our executives. Our equity awards to executives have typically been made in the form of warrants. We believe that equity grants in the form of warrants provide our executives with a direct link to our long-term performance, create an ownership culture, and align the interests of our executives and our stockholders.

### Cash bonuses

Our board of directors has the discretion to award cash bonuses based on our financial performance and individual objectives. The corporate financial performance measures (revenues and profits) will be given the greatest weight in this bonus analysis. We have not yet granted any cash bonuses to any named executive officer nor have we yet developed any specific individual objectives while we wait to attain revenue and profitability levels sufficient to undertake any such bonuses.

### Benefits and other compensation

Our named executive officers are permitted to participate in such health care, disability insurance, bonus and other employee benefits plans as may be in effect with the Company from time to time to the extent the executive is eligible under the terms of those plans. As of the date of this Registration Statement, we have not implemented any such employee benefit plans.

### ***Current Executive Compensation***

#### Summary Annual Salary

As discussed above, we have agreed to pay the Named Executive Officers an annual salary. Base salary may be increased from time to time with the approval of the board of directors. The following table summarizes the agreed annual salary of each of the named executive officers.

<u>Name</u>	<u>Annual Salary</u>
Robert Kang	\$ 300,000

#### Agreed Compensation

*Robert Kang, President, Chief Executive Officer and Interim Chief Financial Officer* – Dr. Kang will earn an annual Salary of \$ 300,000 as compensation for his services as president and CEO.

### ***Grants of Plan-Based Awards Table for Fiscal Year 2009***

On January 15, 2010, the Company adopted an employee stock option plan, designated as the “2010 Employee Stock Option Plan. During fiscal 2009, we did not grant any equity awards under any equity award plan. 10,000,000 options were issued to our CEO on February 1, 2010.

### ***Option Exercises for Fiscal 2009***

During fiscal 2009, none of the named executive officers exercised options.

### ***Nonqualified Deferred Compensation***

We currently offer no defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified to any of our employees, including the named executive officers.

### ***Compensation of Directors***

We intend to use a combination of cash and equity-based compensation to attract and retain candidates to serve on our board of directors. We do not compensate directors who are also our employees for their service on our board of directors. We issued 300,000 shares of common stock to Young Il Kim upon his appointment to the board of directors on October 11, 2009. We have not provided any other compensation to any member of our Board of Directors for the fiscal year ended December 31, 2009.

### ***Compensation Committee Interlocks and Insider Participation***

We do not currently have a standing Compensation Committee. Our entire board of directors participated in deliberations concerning executive officer compensation.

### ***Compensation Committee Report***

The board of directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the board of directors has recommended that this Compensation Discussion and Analysis be included in this Registration Statement on Form 10.

### Summary Compensation Table

The following table sets forth the total compensation paid to, or accrued by, the Company's highest paid executive officers during the fiscal years ended December 31, 2009 and December 31, 2008. No restricted stock awards, long-term incentive plan payout or other types of compensation, other than the compensation identified in the chart below and its accompanying notes, were paid to these executive officers during that fiscal year.

Named Executive Officer	Year	Annual Compensation Salary (\$)	Annual Compensation Bonus (\$)	Other Annual Compensation	Compensation Restricted Stock (#)	Long Term Compensation Options	LTIP Payouts	All Other
Robert Kang	2008	25,000 <sup>2</sup>	0	0	0	0	0	0
	2009	336,527	0	0	0	0	0	0
Jung Yong Lee <sup>1</sup>	2008	48,551 <sup>3</sup>	0	0	0	0	0	0
	2009	32,810	0	0	0	0	0	0

(1) Jung Yong Lee was the Company's President and CEO from September 19, 2007 to November 18, 2008.

(2) Robert Kang became the Company's President and CEO on November 18, 2008. Salary amount represents one month's prorated portion of agreed \$300,000 per year salary.

(3) Number represents average 2008 exchange rate between US\$ and Korean Won. Mr. Lee was paid 52 million Korean Won for his services in 2008.

### Outstanding Equity Awards at Fiscal Year End Table

The following table sets forth information regarding the outstanding warrants held by our named officers as of December 31, 2009.

Name	Option Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price (\$)	Option Expiration Date
Robert Kang <sup>1</sup>	0	0	-	-	-

(1) Mr. Kang was issued 10,000,000 options in Fiscal 2010.

## Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table shows the beneficial ownership of our common stock as of April 14, 2010. The table shows the amount of shares owned by:

- (1) each person known to us who owns beneficially more than five percent of the outstanding shares of any class of the Company's stock, based on the number of shares outstanding as of April 14, 2010;
- (2) each of the Company's Directors and Executive Officers; and
- (3) all of its Directors and Executive Officers as a group.

IDENTITY OF PERSON OR GROUP	AMOUNT OF SHARES BENEFICIALLY OWNED	PERCENT OF SHARES BENEFICIALLY OWNED <sup>1,2</sup>	CLASS
Robert Kang CEO, President and Interim CFO	16,450,000 <sup>3</sup>	27.1%	Common
Jung Yong Lee CTO and Director	3,500,000	6.9%	Common
Young Il Kim Director	500,000	1.6%	Common
All Directors and Officers as a Group	20,450,000	33.7%	Common

(1) The percentage of shares owned is based on 50,708,115 shares being outstanding as of April 14, 2010. If the beneficially owned shares of any individual or group in the above table include any options, warrants, or other rights to purchase shares in the Company's stock, such right to purchase shares (if any) is disclosed by footnote below and the percentage of shares owned includes such shares as if the right to purchase had been duly exercised.

(2) **Beneficial Ownership of Securities:** Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, involving the determination of beneficial owners of securities, a beneficial owner of securities is person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has, or shares, voting power and/or investment power with respect to the securities, and any person who has the right to acquire beneficial ownership of the security within sixty days through means including the exercise of any option, warrant or conversion of a security.

(3) Includes 6,450,000 shares and options to purchase 10,000,000 shares, issued under the 2010 Employee Stock Option Plan.

### Item 13. Certain Relationships, Related Transactions and Director Independence

#### *Sea Motors, Inc.*

In January 2009 we entered into a definitive consulting agreement with SEA Motors, of which Dr. Kang was formerly part of management. Dr. Kang joined Leo Motors subsequent to entering the agreement. Dr. Kang resigned his position with SEA prior to execution of the definitive agreement but after performing certain consulting services in anticipation thereof, and thus the Company agreed to pay a consulting fee of 700,000 shares of common stock directly to Dr. Kang.

As of the date hereof, the Company has not entered into any other agreements with related parties, and there are no other conflicts of interests of any of the Company's officers, directors or affiliates known to the Company.

#### *Director Independence*

The Company is not listed on any national exchange, or quoted on any inter-dealer quotation service, that imposes independence requirements on any committee of the Company's directors, such as an audit, nominating or compensation committee. As all of the Company's directors are employees of the Company, the Company does not have any independent directors on its Board, as defined by the New York Stock Exchange.

### Item 14. Principal Accounting Fees and Services

The following is a summary of the fees paid to Gruber & Company LLC, the Company's independent public accounting firm, during the fiscal years ended December 31, 2008 and 2007.

	<u>2009</u>	<u>2008</u>
Audit fees	\$ 35,000	\$ 30,000 <sup>1</sup>
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
<b>Total</b>	<b>\$ 35,000</b>	<b>\$ -30,000</b>

(1) Fees for the audit of our 2007 and 2006 financial statements

#### **Audit Committee Pre-Approval of Services of Principal Accountants**

The Company does not have a standing audit committee. The Board as a whole has the authority and responsibility to select, evaluate, determine the compensation of, and, where appropriate, replace the independent auditor. After determining that providing the non-audit services is compatible with maintaining the auditor's independence, the board pre-approves all audits and permitted non-audit services to be performed by the independent auditor, except for *de minimus* amounts. If it is not practical for the board to meet to approve fees for permitted non-audit services, the board has authorized its chairman to approve them and to review such pre-approvals with the Board at its next meeting.

## **PART IV**

### **Item 15. Exhibits and Financial Statement Schedules**

#### *Financial statements and schedules.*

The following consolidated financial statements of Leo Motors, Inc. and Subsidiaries are included herein by reference to the pages listed in "Item 8. Financial Statements and Supplementary Data":

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2009 and 2008

Consolidated Statements of Operations for the years ended December 31, 2009, and 2008

Consolidated Statements of Changes in Shareholders' Interest for the years ended December 31, 2009 and 2008

Consolidated Statements of Cash Flows for the years ended December 31, 2009 and 2008

Notes to Consolidated Financial Statements

#### *Exhibits*

The following Exhibits are included herein:

- 31.1 Certification of the Principal Executive and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
- 32.1 Certification by the Principal Executive and Principal Financial Officer of Leo Motors, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

### **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

**LEO MOTORS, INC.**  
**(the registrant)**

By     /s\ Robert Shi Chul Kang      
Robert Shi Chul Kang  
Chief Executive Officer, President and  
Interim Chief Financial Officer

Date: April 15, 2010

Exhibit 31.1

**CERTIFICATION**

I, Robert Kang, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leo Motors, Inc. (the "Company");
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 registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: April 15, 2010

/s/ Robert Shi Chul Kang  
Robert Shi Chul Kang  
Chief Executive Officer, President  
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 Annual Report of Leo Motors, Inc. (the "Company") on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Kang, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to my knowledge:

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

/s/ Robert Shi Chul Kang

Robert Shi Chul Kang  
Chief Executive Officer, President  
and Interim Chief Financial Officer  
April 15, 2010