LEATT CORPORATION

ANNUAL REPORTS
FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2022 AND 2021

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

FORM 10-K

(Mark One)

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

For the fiscal year ended: **December 31, 2022**

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

For the transition period from _____ to _____

Commission File No.**000-54693**

LEATT CORPORATION

(Exact name of registrant as specified in its charter)

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

12 Kiepersol Drive, Atlas Gardens
Contermanskloof Road,
Durbanville, Western Cape
South Africa, 7550
(Address of Principal Executive Offices; Zip Code)

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

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

Title of each class trading	Name of each exchange on which registered	Symbol(s)

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

Common Stock

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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Emerging growth company	☒
		Smaller reporting company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of June 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the shares of the registrant's common stock held by non-affiliates was approximately $68,199,426**.** Shares of the registrant's common stock held by each executive officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded from the calculation in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Common Stock, $0.001 par value per share: 5,971,340 outstanding as of March 20, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Annual Report on Form 10-K
For the Year Ended December 31, 2022

TABLE OF CONTENTS

PART I

PART II

PART III

PART IV

Special Note Regarding Forward Looking Statements

This report contains forward-looking statements that are contained principally in the sections entitled "Our Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" in this report. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would" and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

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

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

Use of Certain Defined Terms

Except as otherwise indicated by the context, references in this annual report to:

- "Leatt," "we," "us," "our," the "Registrant" or the "Company" are to the combined business of Leatt Corporation, a Nevada corporation, its South African branch, Leatt SA, and its direct, wholly-owned subsidiaries, Two Eleven and Three Eleven;
- "Leatt Prop" refers to Leatt Prop (Pty) Ltd, a South African Company incorporated under the laws of South Africa with registration number: 2022/523867/07;
- "Leatt SA" are to the Company's branch office known as 'Leatt Corporation (Incorporated in the State of Nevada)' incorporated under the laws of South Africa with registration number: 2007/032780/10;
- "Leatt USA" are to Leatt USA, LLC, a Nevada Limited Liability Company;
- "PRC", and "China" are to the People's Republic of China;
- "Two Eleven" refers to Two Eleven Distribution, LLC, a Nevada Limited Liability Company;
- "Securities Act" are to the Securities Act of 1933, as amended, and to "Exchange Act" are to Securities Exchange Act of 1934, as amended;
- "South Africa" are to the Republic of South Africa;
- "U.S. dollar," "$" and "US$" are to the legal currency of the United States.
- "Xceed Holdings" refers to Xceed Holdings CC., a close corporation incorporated under the laws of South Africa, and wholly- owned by The Leatt Family Trust, of which Dr. Christopher J. Leatt, the Company's chairman, is a Trustee and Beneficiary; and
- "ZAR" refers to the South African Rand, the legal currency of South Africa. For all ZAR amounts reported, the dollar amount has been calculated on the basis that $1 = ZAR16.9736 for its December 31, 2022 balance sheet.

PART I

ITEM 1. BUSINESS

Business Overview

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

The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment using this technology, as well as its own developed technology, including the Company's new body protection products which it markets under the Leatt Protection Range brand.

The Company's research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 4 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Depending on the market we have other certifications outside of CE. For the US market, our motorcycle helmets comply with the US Department of Transportation (DOT) FMVSS 218 helmet safety standard and our bicycle helmet complies with the European Committee for Standardization (CEN) EN-1078 standard, as well as with the US Consumer Product Safety Commission (CPSC) 1203 standard for helmet safety. Our downhill specific bicycle helmets also comply with the American Society for Testing and Materials (ASTM) F1952 standard for downhill racing safety. For the Australian market, our bicycle helmet complies with Australian/New Zealand Standard (AS/NZS) 2063, for the UK market, our motorcycle helmets comply with the Auto Cycle Union (ACU) gold standard, for the Japanese market, our Moto 3.5 helmet with the Japanese Standard Association (JSA) JIS T 8133 standard for protective helmets, and for the Brazilian market our Moto 7.5 and Moto 3.5 helmets comply with The Brazilian Association of Technical Standards (ABNT) NBR 7471 safety standard.

Our products are predominately manufactured in China in accordance with our manufacturing specifications, pursuant to outsourced manufacturing arrangements with third-party manufacturers located there, based on agreed terms. We are also building manufacturing capacity outside China, namely, in Thailand and Bangladesh. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products sold to our international customers are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 56 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to dealers in the United States and South Africa, respectively.

Our Corporate History and Structure

We were incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. Until March 2006, we were a shell company with little or no operations. Effective as of March 1, 2006, we acquired the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. On May 25, 2005, we changed our name to Leatt Corporation in connection with our anticipated acquisition of the Leatt-Brace® rights.

Leatt South Africa

The Company conducts business in South Africa as a foreign registered branch known as 'Leatt Corporation (Incorporated in the State of Nevada)' registered under the laws of South Africa with registration number: 2007/032780/10. Based in Cape Town, South Africa, Leatt SA was formed on November 14, 2007, for conducting the Company's business and operations in South Africa. Our corporate headquarters and our research and development efforts are based at Leatt SA.

Establishment of Two Eleven, Leatt Prop and Leatt USA

On August 17, 2007, the Company established Two Eleven Distribution, a California limited liability company, as its wholly-owned subsidiary. Located in Santa Clarita, California, Two Eleven was formed to serve as the Company's executive offices in the United States, as well as the exclusive distributor of Leatt® products in the United States. On March 8, 2021, the Company's Board of Directors approved the redomicile of Two-Eleven Distribution to the State of Nevada, pursuant to a Plan of Conversion, effective upon the filing of Articles of Conversion with the Nevada Secretary of State on April 5, 2021.

Leatt Prop (Proprietary) Limited, a South African company, was established on June 24, 2022, by the Company, as its wholly-owned subsidiary, for the purpose of purchasing immoveable property in South Africa. The Company has not moved forward with its original plan and Leatt Prop remains dormant.

On June 26, 2010, the Company established Leatt USA, LLC, a Nevada Limited Liability Company, as our wholly-owned subsidiary and for the purpose of holding Two Eleven Distribution, our wholly-owned subsidiary. However, as of the date of this annual report the Company had not moved forward with its original plan and Leatt USA remains dormant.

Settlement Agreement

As consideration for their founding of the Company's operations in South Africa, we agreed to issue 20,000,000 shares of our common stock, and 19,200,000 shares of our preferred stock to Dr. Leatt, 5,000,000 shares of our common stock and 4,800,000 shares of our preferred stock to Jean-Pierre De Villiers, and 50,000 shares of our common stock to Ervian Jarrett. We issued the common stock to Dr. Leatt, Mr. De Villiers and Ms. Jarrett in accordance with the agreement, but we did not issue any preferred shares to Dr. Leatt or Mr. De Villiers. On September 25, 2008, in settlement of our obligation to issue Dr. Leatt and Mr. De Villiers shares of preferred stock, we entered into a Settlement Agreement with them, pursuant to which they agreed to release us from any and all liability arising out of or related to our failure to satisfy our prior obligation to them, and we issued 16,800,000 shares of our common stock and 2,400,000 shares of our Series A Preferred Stock to Dr. Leatt, and 4,200,000 shares of our common stock and 600,000 shares of our Series A Preferred Stock to Mr. De Villiers. The Series A Preferred Stock entitles Dr. Leatt and Mr. De Villiers to one hundred votes for each share of Series A Preferred Stock held (voting with the common stock as a single class). The Series A Preferred Stock converts into common stock, on a one-for-one basis, has a liquidation preference equal to $0.001 par value per share and is redeemable by us at $0.001 par value per share upon the occurrence of specified events, but it is subject to transfer limitations and it does not entitle Dr. Leatt and Mr. De Villiers to dividends. On September 20, 2012, we effected a 1-for-25 reverse stock split which reduces the foregoing issuances on a 1:25 ratio.

Our Corporate Structure

The following chart reflects our organizational structure as of the date of this annual report.

Our corporate headquarters are located at 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7550. Our telephone number is +(27) 21-557-7257. We maintain a website at www.leatt.com that contains information about our Company, but that information is not incorporated into, or otherwise considered a part of, this annual report.

Our Industry and Market Trends

Off-Road Motorcycle Market

Our products have their roots in the off-road motorcycle market. Our revolutionary neck brace was invented by Dr. Leatt to protect from catastrophic neck injuries after he witnessed the death of a fellow off-road motorcycle rider the weekend after his son's riding debut. As a result, our original products target participants in off-road cycling activities such as BMX racing and downhill racing.

We believe that we have gained our market share largely due to the innovation and quality of our products, the growth of the market, growth of our product range, our increased marketing efforts, and our steps to secure our international patents and protect our patents from infringement.

Downhill and Cycling Market

We design and sell neck braces, helmets, protective gear, shoes and clothing for the downhill and cycling market. We entered this market focusing on downhill cycling, which requires a full-face helmet. We have since expanded our protective gear range to address the needs of mountain biking and a wider cycling audience. The downhill and cycling market is now our second largest market.

Other Recreational Markets

We also design and sell neck braces for use by participants in other recreational sports such as ATV, go-kart, snowmobile users and participants in other sports where a full-face helmet should be worn. As a result, our overall performance in the market is also affected by the performance of these industries, especially in jurisdictions where the use of helmets is compulsory.

Our Products

The Company designs, develops, distributes and markets protective gear, parts and accessories. The Company currently markets its products under the two main categories addressing the two main markets, namely bicycle and powersports. The Company began the process of changing its naming convention of its motorcycle range of products from GPX to Moto and the bicycle range of products from DBX to MTB during 2020.

Neck Braces

The Leatt-Brace® is a prophylactic neck bracing system composed of various combinations of carbon fiber, glass fiber, polycarbonate or Glass Filled Nylon, which was designed to help prevent potentially devastating sports injuries to the cervical spine (neck). The first Leatt-Brace® was designed for motorcycle, high speed motor vehicle and ATV use, where there is little means of protecting the neck in the event of an accident, but the Leatt-Brace® has been designed in such a way as to offer neck protection to all who utilize a crash helmet as a form of protection, including soldiers, law enforcement officers and other professionals whose activities could result in cervical spine injury.

The latest range of Neck Braces are designed for both the powersports market and bicycle markets, includes the Neck Brace 6.5 which is a full carbon brace, Neck Brace 5.5, which is fully adjustable, the Neck Brace 5.5 Junior, which is fully adjustable and designed for junior riders, Neck Brace 4.5, is the latest addition to the range and mid-way between the 3.5 and 5.5 in the way of adjustment and pricing, the award-winning Neck Brace 3.5, which is competitively priced, and the Neck Brace 3.5 Junior, designed for junior athletes at a very competitive price.

Furthermore, there is a range of SNX models under the powersports category. These neck braces are designed for snow mobile riders, which includes the SNX 5.5 and Neck Brace SNX trophy. These neck braces feature the AFC - Arctic Fusion Compound-designed for extreme temperatures.

The range of STX neck braces are designed for street commuters and includes the ultra-light carbon Neck Brace STX RR and Neck Brace STX Road.

The Fusion is a unique invention that combines neck, chest, back, flank and shoulder protection in one piece of body armor for powersports enthusiasts. This product combines Leatt-Brace® technology together with CE certified back, shoulder and chest impact protection. The Fusion models include the Fusion 3.0, which incorporates hard shell and 3DF AirFit ventilated soft impact foam to protect riders, the Fusion SNX 3.0, which is designed specifically for snowmobile riders and is made from a special blend referred to as Arctic Fusion Compound (AFC™), this material is designed to withstand extremely cold conditions, and the Fusion 2.0 Junior which is designed for junior athletes.

Another product found under the neck brace category is the Neck Brace Kart, specifically designed for go-kart riders. This neck brace features a special Kart angle for improved function and fit. It features bio foam lycra padding and has fully adjustable front and rear tables.

The Company offers various versions, sizes and colors of these products to appeal to different clients and to address different price points. All these neck braces are CE certified as Personal Protective Equipment 89/686/EEC. To view a detailed listing of these products please see our website; www.leatt.com .

Helmets

In 2015 the Company launched its helmet range and commenced shipment with a limited helmet range. The Company expanded its off-road helmet range in 2016 to include two junior helmets and its award-winning MTB range for downhill and BMX bicycle use. The Company currently sells various models of helmet products which the Company believes redefines head and brain protection with its groundbreaking 360-degree Turbine technology for concussion and brain rotation safety. These helmets offer superior head and brain protection in a shell that is smaller, very lightweight, and super-ventilated, even at low speeds.

The Moto helmet range, designed for off-road motorcycle riders, consists of the Moto 9.5 Carbon Helmet, which is the latest premium carbon shell helmet in the range, Moto 8.5 Helmet which is a race-ready, composite shell, lightweight and super-ventilated helmet, and Moto 7.5 Helmet which has a lightweight, super-ventilated injected polymer compound shell. The Moto 3.5 Helmet is a polymer helmet with 360-degree turbine technology with multi-density impact foam at a competitive price point, and the Moto 3.5 Junior Helmet, which is a polymer helmet designed for young riders at a competitive price point. Lastly, the latest addition to the range is the Moto 2.5 Helmet, which provides riders with a polymer compound helmet with 360-degree turbine technology at the most competitive price point in the range. All these latest helmets meet DOT and ECE 22.06 standards.

The MTB helmet range consists of the premium Helmet MTB Gravity 8.0, which is a well-ventilated composite helmet made specifically to suit downhill and BMX riders' requirements which has passed Motorcycle ECE standard and ASTM certified, the Helmet MTB Gravity 4.0, which is a DH certified lightweight polymer shell with maximized ventilation, the latest addition to this range is the Helmet MTB Gravity 2.0, which is a DH certified ASTM polymer shell with stainless steel mesh vents for added protection against debris, the Helmet MTB Gravity 1.0, which is a polymer helmet with 360-degree turbine technology at a competitive price point, and the Helmet MTB Gravity 1.0 Junior which is a helmet with downhill certified ASTM junior shell designed for young riders at a competitive price point.

The MTB helmet range also has helmets designed for Enduro rider's requirements: the Helmet MTB Enduro 4.0, which has a DH certified lightweight polymer shell with removable chin bar with easy-fit attachment system.

The Company also has a range of half shell helmets for off-road cyclists which incorporates the 360-degree Turbine technology for concussion and brain rotation safety. The Helmet MTB All-Mountain 4.0, this helmet is the premium lightweight polymer half shell helmet with in-molded EPS and EPO impact foam for superior energy absorption, the Helmet MTB All-Mountain Helmet 3.0, which is a half shell polymer compound helmet for cyclists, the Helmet MTB Trail 3.0, is a new lightweight all-purpose MTB helmet with PowerBridge in-molded force absorber is designed for trail riding, cross country training and back country or gravel adventures, the Helmet MTB Trail 2.0, is a lightweight polymer shell with MaxiFlow impact foam air channels, the Helmet MTB All Mountain 1.0, which is the most competitively priced helmet in this range which offers protection around the head and a deeper rear coverage, and the Helmet MTB All-Mountain 1.0 Junior, is the lightweight junior helmet at a competitive price which offers protection around the head and a deeper rear coverage.

The Company introduced the Helmet MTB Urban 1.0 designed for riding on the busy streets which incorporates 360-degree Turbine technology for concussion and brain rotation safety and has now extended the range to include a junior offering, and the Helmet MTB Urban 1.0 Junior.

The Company offers various versions, sizes and colors of these products to appeal to different clients in different disciplines and to address different price points. All our helmets have achieved CE certification when necessary. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063, for the UK market our motorcycle helmets comply with ACU Gold and for the Japanese market our Moto 3.5 helmet complies with JIS T 8133. To view a detailed listing of these products please see our website: www.leatt.com.

Body Armor

In 2010, we launched the Leatt body armor range with our introduction of the Leatt Adventure Chest Protector, a hard-shell chest protector. The following year we introduced junior protectors, body vests and full body protectors. Since then, we have further extended our range to include more body protectors and vests, back protectors, elbow guards, knee guards, impact shorts and cooling vests. These products come in a variety of soft- and hard-shell options for both adult and junior riders. Our expanded body armor product range has also gained us entry into new markets.

In 2014, we expanded into shoulder and knee-brace markets with the addition of our shoulder brace and C-Frame knee brace to our range of body protection products. In the 2015 first quarter our Knee Brace was accepted for registration by both the United States Food and Drug Administration (FDA) and the UK's Medicine and Healthcare Regulatory Products Agency (MHRA), and our Shoulder Brace was accepted by the FDA, as Class 1 Medical Devices. FDA and MHRA registration allows us to take these products directly to market as medical devices for patients (not just athletes) recuperating from injuries, surgery, muscle tears or strains, dislocations, breaks or fractures. The Company has expanded its knee brace range to include: the Knee Brace C-Frame Pro Carbon, which is the premium knee protection in the range; the Knee Brace C-Frame Hybrid, which is slimmer than the Pro Carbon model to fit race pants while retaining the stiff chassis of the mono hinge; the Knee Brace X-Frame, which is injected carbon cage-type knee protection; the X-Frame Hybrid knee brace, which includes a sleeve with Airflex impact gel knee cup with hard shell for ultimate knee brace comfort; and the Knee Brace Z-Frame, which is a glass-filled nylon knee protection product at a competitive price point. The Company has expanded the junior knee-brace range to include the Knee Brace C-Frame Junior and Knee Brace Z-Frame Junior, both of which are designed for younger athletes.

In 2019, we launched our innovative 5.5 FlexLock Boot range, consisting of the 5.5 Flexlock Boot and the 5.5 Flexlock Enduro Boot. These Boots are designed to be an essential part of any rider's motocross riding kit. Our Boots feature the SlideLock system for an outstanding first-class fit, a low-profile toe box for easy gear shifting, and an incredible FlexLock system that is proven to reduce ankle forces by up to 37% and knee forces by up to 35% upon impact, when compared to an industry leading competitor boot. The 4.5 Boot range, consisting of the 4.5 Boot, the 4.5 Enduro Boot and the 4.5 Boot HydraDri™, all of which include a SlideLock system, auto-locking one way sliding closure for great seal at top of boot, extended foot peg riding zone for arch and on the toes riding style, and a reinforced steel shank. The latest addition is the 3.5 Boot range, consisting of 3.5 Boot and the 3.5 Boot Junior, which also features the SlideLock system at a competitive price point. All boot ranges are CE tested and certified and are available in a range of colors.

In 2020, we launched the latest new product category, our MTB shoes. The Clip range includes various styles of shoes with the ClipGrip SPD channels. The range is the Shoe 6.0 Clip, this is a lightweight trail shoe with ATOP lace system, the Shoe 5.0 Clip, with 3-layer waterproof breathable fabric and concealed speed lace compression system, the Shoe 4.0 Clip, which is designed for all-weather enduro and downhill riders. The latest addition is the Shoe 4.0 Clip Pro, which features a micro-adjuster MOZ cable fit system, whereas the standard Shoe 4.0 Clip has laces.

The MTB shoe range also includes four MTB shoes designed to satisfy any rider's needs: the premium Shoe 3.0 Flat and the Shoe 2.0 Flat incorporating FlatGrip sole technology with optimized grip pattern and mudflow channels; the Shoe 3.0 Flat Pro, which also features a micro-adjuster MOZ cable fit system, and the Shoe 1.0 Flat, which is a comfortable sneaker sole with great pedal compatibility at a competitive price.

The Company also recently introduced MTB shoes designed for female and junior riders. The Shoe 6.0 Clip Women and Shoe 2.0 Flat Women has the same features as the men's offering but is sized and styled for the female consumers. The Shoe 2.0 Flat Junior features the same FlatGrip Sole with optimized waffle grip pattern and mud flow channels designed for junior riders.

Our team is committed to consistently expanding, updating and refining these products based on consumer feedback and demand on an annual basis. The Company offers various versions, sizes and colors of these products to appeal to different clients in different disciplines and to address different price points. All our products have achieved CE certification when necessary. To view a detailed listing of these products please see our website: www.leatt.com .

Other Products, Parts and Accessories

Goggles

In 2019, we launched our Leatt Goggle range, developed with WideVision anti-glare, anti-fog technology and bullet-proof tested to military ballistic standards for durability. The goggles also feature a detachable nose piece for multi-purpose use, easy clip-in / clip-out and self-draining frames, and nine anti-fog lenses that provide the same fit for the entire line-up, ranging from 20-83% Visible Light Transmission (VLT). Currently, our full range of goggles has grown to include ten models of goggles with a variety of interchangeable lenses and color options to meet all our riders' requirements.

Leatt Apparel Range

The Leatt Apparel Range is the fastest growing product category in the Leatt range of products. In 2015, we introduced a new product category of gloves to our apparel products and expanded our offering of cooling apparel products. We have since added a variety of apparel products for off-road motorcycle riders and bicycle riders, including our award-winning mono suits, jackets, jerseys, pants, shorts, socks, and gloves. All products in this range come in a variety of trendy colors and are designed in line with the latest international fashion trends. We are continuously expanding our range to appeal to a wider range of consumers.

Casual Clothing and Accessories

We also sell a variety of casual clothing and caps which we have expanded to include sunglasses. We sell accessories that complement our expanding range of products including toolbelt bags, duffel bags, gear bags, helmet bags, hats and hydration kits. The products are designed in line with the latest international fashion trends.

Spare Parts

We also provide aftermarket support to users of our protective products primarily for the replacement of worn or damaged parts through our global distribution network. The nature of many of our products is such that certain components collapse and fail in a controlled mode to help prevent further bodily injury. As such, specific parts of a product or the entire product may need to be replaced after a significant impact.

Our team is committed to consistently updating and refining these products based on consumer feedback and demand on an annual basis. To view a detailed listing of these products please see our website: www.leatt.com.

Accolades

The Leatt products have won a series of awards and accolades since 2007, including the following**:**

- *Motocross Action*: Leatt-Brace GPX awarded 5/5 Star Product Rating (2007) and Decade's Most Significant Product (awarded by an industry magazine based on comfort, fit and safety)
- *Transworld MX*: Editors' Choice-Leatt Brace Adventure awarded Best New Product of Year (2009) (selected by editors of an industry magazine with no published criteria)
- *ISPO Brandnew Awards*: Leatt-Brace DBX awarded Best Protection at Bike Expo (2010) (Bike Expo is an annual gathering of industry participants)
- *Transworld MX*: Leatt GPX Pro Best Product of the Year (2011) (selected by editors of an industry magazine, based on comfort and safety)
- *Motocrossgear.com*: Perfect Score to New 2012 Leatt-Brace Chest Protector Adventure Pro (selected by an industry website, based on looks, comfort and safety)
- *Transworld Motorcross Magazine*: Chest Protector Leatt Pro Lite was awarded "Product of the Year" for 2012 (selected by editors of industry magazine based on testing and looks)
- *PPS Moto:* This Motocross Product review website awarded the Company the 2014 PPS Moto Protective Gear Company of the Year Award.
- *Mountainbike Magazine*: The Leatt F4 Hydration System won the Design and Innovation Award for 2015. The product was chosen from over 100 brands and vetted by an international jury featuring top athletes, including Enduro World Series Winner, Nico Lau.
- *2015 Vital MX Audience Survey*: The Leatt Neck Brace was voted the number one Neck Brace to buy in the Vital MX Audience Survey.
- *Design & Innovation 2016 Awards:* The Leatt DBX 5.0 Composite Helmet won a Design and Innovation Award for 2016. The Design & Innovation jury of bicycle industry experts seeks to recognize bicycles and bicycle products.
- *Design & Innovation 2016 Awards:* The Leatt DBX Enduro Lite WP 2.0 won a Design and Innovation Award for 2016. The Design & Innovation jury of bicycle industry experts seeks to recognize bicycles and bicycle products.
- *Decline Magazine:* awarded Leatt Knee Guards a five-star rating based on the products' fit, impact testing, breathability and overall appeal (July 2016).
- *Eurobike Award 2017:* In 2017, the Leatt DBX 3.5 neck brace won a Eurobike Award. Eurobike is the world's leading trade fair where international bike industry exhibitors present their products and services. The prestigious Eurobike Award honors innovative products and is a highlight of the annual exposition.

- *Interbike Innovation 2017 Award Winner*: The Leatt DBX 3.5 neck brace was named an Interbike Innovation Award winner in 2017. The Interbike International Bicycle Exposition is the largest bicycle industry trade event in North America and their awards are aimed at recognizing excellence and innovation in product, retail and advocacy.
- *Mountain Bike Magazine 2017 Editor's Choice Innovations Category Winner:* In 2017, the Leatt DBX 3.0 helmet was one of ten winners in the Editor's Choice Innovations category reserved for innovations that the Editors believe most shaped the mountain bike world during the prior year.
- *The MTB Lab Best of 2017 Award:* In 2017, The MTB Lab, an online publication on mountain bikes and outdoor gear, named the Leatt DBX 3.0 All-Mountain Helmet one of the best products for 2017.
- *2017 Crankjoy Gear of the Year:* The Leatt DBX 3.0 helmet was listed by the Editors of Crankjoy, an online publication on mountain bike lifestyle and gear, as among its favorite riding gears for 2017.
- *Design & Innovation 2018 Awards:* In 2018, the Leatt DBX 2.0 Helmet and the Leatt DBX 3.5 Neck Brace won a Design and Innovation Award. The Design & Innovation award is granted by a jury of bicycle industry experts in recognition of the best bicycles and bicycle products.
- *2018 Powersports Business Nifty 50 Award:* In 2018, the Leatt GPX 4.5 Helmet and the Leatt GPX 3.5 Neck Brace was awarded the Nifty 50 Award by the editors of Powersports Business, an industry publication that selects aftermarket products and services that they believe will help boost dealer profitability. To be eligible for the 2018 award, products had to be new or substantially improved from previous years and be ready for delivery in calendar year 2018.
- *Interbike Innovation 2018 Award Winner*: Leatt DBX 4.0 Helmet was named an Interbike Innovation Award winner in 2018. The Interbike International Bicycle Exposition is the largest bicycle industry trade event in North America and their awards are aimed at recognizing excellence and innovation in product, retail and advocacy.
- *Design & Innovation 2019 Awards:* In 2019, the Leatt DBX 4.0 Helmet won a 2019 Design & Innovation Award. The Design & Innovation award is granted by a jury of bicycle industry experts in recognition of the best bicycles and bicycle products.
- *2019 Vital MX Audience Survey:* The Leatt Neck Brace was voted the number one Neck Brace to buy in the Vital MX Audience Survey.
- *2019 Racer X Readers' Choice Award:* The number one worn Neck Brace.
- *2020 Gear Of The Year Award:* The Moto 9.5 Helmet was named 2020 Gear of the Year award by German Cross Magazine. The award winner is selected on an annual basis by the Editors of the magazine.
- *2020 Racer X Readers' Choice Award:* The number one worn Neck Brace.
- *2020 Vital MX Audience Survey:* The Leatt Neck Brace was voted the number one Neck Brace to buy in the Vital MX Audience Survey.
- *Design & Innovation 2021 Awards*: In 2021, the Leatt 4.0 Velocity Goggles won a Design and Innovation Award. The Design & Innovation award is granted by a jury of bicycle industry experts in recognition of the best bicycles and bicycle products.
- *2021 Powersports Business Nifty 50 Award:* This year the Leatt X-Frame Hybrid Knee Braces was awarded the Nifty 50 Award by the editors of Powersports Business, an industry publication that selects aftermarket products and services that they believe will help boost dealer profitability. To be eligible for the 2021 award, products had to be new or substantially improved from previous years and be ready for delivery in calendar year 2021.
- *Mountain Biking UK Magazine:* The Airflex Stealth Body Tee was selected as the winner of the "6 of the Best Body Protection" (October 2021).
- *2021 Racer X Readers' Choice Award:* The number one worn Neck Brace.
- *2022 Powersports Business Nifty 50 Award:* In 2022, the Leatt 8.5 Moto Helmet Kit was awarded the Nifty 50 Award by the editors of Powersports Business, an industry publication that selects aftermarket products and services that they believe will help boost dealer profitability. To be eligible for the 2022 award, products had to be new or substantially improved from previous years and be ready for delivery in calendar year 2022.
- *Design & Innovation 2023 Awards:* The Mono Suit MTB HydraDri™ 5.0 won a Design and Innovation Award for 2023. The Design & Innovation jury of bicycle industry experts seeks to recognize bicycles and bicycle products.
- *Design & Innovation 2023 Awards:* The Leatt MTB 3.0 Enduro helmet won a Design and Innovation Award for 2023. The Design & Innovation jury of bicycle industry experts seeks to recognize bicycles and bicycle products.

We believe that the premium quality of Leatt-Brace® products has resulted in increased sales since inception. We have sold in excess of 940,000 units of Leatt-Brace® products worldwide to date.

Manufacturing.

Our products are predominately manufactured in China in accordance with our manufacturing specifications, pursuant to outsourced manufacturing arrangements with third-party manufacturers located there based on agreed standard operating terms. We are also building manufacturing capacity outside of China, namely in Thailand and Bangladesh. We do not currently have any material written agreements with our neck brace third-party manufacturers but will include any such future material written agreement with our periodic filings. We offer a warranty on our products based on the legal requirements of the specific geographical region that our customers reside in. Products purchased through international sales are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents globally.

Upon our determination of order quantities, we issue periodic purchase orders for products to our third-party manufacturers at negotiated prices. A security deposit of between 10 - 30% of the total purchase order value is made with such manufacturers upon receipt of a manufacturer's invoice reflecting quantities ordered and the negotiated price for the products. The standard lead time from purchase order date to ship-ready date is 80-110 days, and our standard supplier shipping terms are FOB (Port).

During production, we measure the manufacturer's quality and on-time performance to determine whether to continue our relationship. We utilize outside consultants and our own employees to ensure the quality of our products through regular on-site product inspections. Such quality inspections are conducted in conformance with ISO/IEC 17025 specifications at the manufacturer's premises and penalties are levied against a manufacturer if any delay in shipment to customers or customer rejection or non-acceptance is caused by quality issues. The balance of open invoices is paid to the manufacturer four to six weeks after successful inspection.

Raw Materials and Suppliers

Our products are manufactured from generally available engineering materials, such as thermoset carbon fiber, glass fiber reinforced nylon and high impact polycarbonate resin. The cost of materials used in our products varies depending on the target market for, and the price of, our products. The prices of these raw materials are determined based upon prevailing market conditions, supply and demand, and global conditions may impact the supply of these raw materials and adversely affect the supply of our products. We have not experienced any significant interruptions to our production due to shortage of our raw materials.

Our third-party manufacturers arrange for the purchase of most of the raw materials that are used to manufacture our products and they pay for the cost of such materials. We may occasionally directly source and pay for highly specialized protection materials, for use in the production of our products. These protection materials are generally available. We also occasionally acquire raw materials on behalf of a third-party manufacturer in order to secure and maintain a specified production capacity. The expenses incurred for such materials for the years ended December 31, 2022 and 2021, were not material and we do not foresee these amounts being material in the near future.

We have implemented certain protocols to check the quality of raw materials used in the production process. Our third-party manufacturers are required to perform prescribed strength testing on critical parts of certain products. In addition, certain materials are tested by our research and development employees at Leatt SA and by independent material laboratories for compliance to manufacturing and material specification.

Our Customers

Leatt earns revenues through the sale of its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by certain international brands. Leatt sells its products directly to dealers in South Africa (through Leatt SA), in the USA (through Two Eleven), and through a network of approximately 56 third-party distributors worldwide. Our distributors are required to follow certain standard business terms and guidelines for the sale and distribution of our products. Two Eleven also sells our products directly to consumers through our online store available at www.leatt.com.

Products purchased through international sales are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when shipping terms are Free on Board (FOB) shipping point, Cost and Freight (CFR) or Cost and Insurance to named place (CIP) as legal title and risk of loss to the product pass to the customer.

We generate revenue both in the United States and internationally. For the years ended December 31, 2022 and 2021, annual revenues associated with international customers were $59,020,266 and $52,337,504, or 77% and 72% of total revenue, respectively.

We have derived a significant portion of our revenue from a limited number of customers, however none of our customers account for more than 10% of our consolidated revenues for the year ended December 31, 2022. For the years ended December 31, 2022 and 2021, our largest customer accounted for approximately 9% and 10% of our annual U.S. revenue, respectively. As of December 31, 2022, and 2021, $45,030 and 0.3% and $254,477 and 2% of our accounts receivable, was due from this customer.

For both years ended December 31, 2022 and 2021, our international revenue derived outside of the U.S. was earned from one customer that accounted for approximately 12% and 10% of our annual international revenue. As of December 31, 2022 and 2021, $1,812,924 or 11% and $1,273,532, or 10% of our accounts receivable, was due from this international customer.

Advertising and Marketing

Initially we gained market recognition through customer word-of-mouth and then subsequently through third-party articles and reviews of the Leatt-Brace® in motorcycle and racing magazines with unsolicited and unpaid endorsements from current and former celebrity motocross (and other) riders supporting these sports, but we now implement global marketing campaigns that incorporate web and print based advertising, social media engagement, sponsorship of sporting events and athlete sponsorships that are designed to promote the Company's growing product range and consumer brand on a global basis by increasing product and brand visibility.

We believe that, as a result of our marketing efforts, and based on our internal marketing estimates, we have approximately 858 active distributors and dealers who stock Leatt products in the U. S. and approximately 237 active dealers in South Africa. We expect that the number of our distributors and dealers will also grow as the market segments that we sell to and our product offering grows but we cannot guarantee that this will be the case.

Our advertising and marketing expenses for the years ended December 31, 2022 and 2021 were $3,342,791 and $2,170,788, respectively, representing approximately 4% and 3% of our revenues, respectively.

Our Growth Strategy

We are committed to growing our business in the coming years. The key elements of our growth strategy are summarized below:

- *Regional Distribution*. Our product range has attracted the interest of global retailers and distributors of protective gear for motor and extreme sports, as well as motorcycle manufacturers and racing teams. The resultant interest and the expected demand for our products prompted us to change our production and distribution strategy in order to cater to this demand. In November 2007, we established Two Eleven, our wholly owned Nevada subsidiary, to manage and control the distribution of our products, particularly in the United States. We distribute products to international consumers through a network of international third-party distributors who are selected by our management team based on their financial status, distribution abilities and creditworthiness, their location in major geographic territories, their marketing and media presence and their portfolio of leading motorcycle brands and accessories as well as their reputation among industry players. We are working on developing our bicycle distribution network throughout the world by appointing new distributors and dealers with a specific focus on the bicycle market. We believe that regional distributors will better promote our products in the designated regions and expand our global customer base. In the U.S. we are expanding and upgrading our dealer network and sales management team.

- •*Strategic Alliances*. We are actively researching and evaluating strategic alliances that will enable the Company to grow into markets outside of its core markets in an efficient manner. We are also working with our OEM partners to develop more mutually beneficial, sustainable, long-term relationships in line with the Company's goals.

- *Industry Accreditation and Endorsements.* We are pursuing accreditation and endorsements of our products from global motor sports governing and homologation bodies as well as industry organizations. We believe that these accreditations and endorsements will increase sales of our products and solidify our position as a leader in safety products. Should neck protection in two wheeled sports become compulsory we believe that such accreditations and endorsements will additionally increase our sales.

- *Developing Brand Awareness and Brand Loyalty.* We are continuing with our efforts to develop brand loyalty by refining our marketing strategy and by engaging in more targeted communication with current and potential consumers of our products. We are working to build loyalty among more consumers in our core bicycle and moto markets by introducing more price points for our products and addressing more consumer needs in more segments, while remaining true to our mission-pioneering functional safety gear.

- *Expanding our Portfolio of Products*. We are always looking for opportunities to introduce new products to reach a wider audience and penetrate new markets. This will include extending our product range to include both innovative protection products as well as peripheral or accessory products such as clothing. In the 2015 first quarter our Knee Brace was accepted for registration by both the United States *Food and Drug Administration* (FDA) and the UK's *Medicine and Healthcare Regulatory Products Agency* (MHRA), and our Shoulder Brace was accepted by the FDA, as Class 1 Medical Devices. FDA and MHRA registration allow us to take these products directly to market as medical devices for patients (not just athletes) recuperating from injuries, surgery, muscle tears or strains, dislocations, breaks or fractures. In 2015, we launched two additions to our body armor product range, namely helmets and gloves. We also added two full apparel lines to our product range, one line designed for the off-road motorcycle market and the other designed for the bicycling market. In 2019, we added motorcycle Boots and Goggles to our range which has made the company a head-to-toe brand for motorcycle protection. In 2020, we added cycling shoes to our product range, which has made the company a head-to-toe brand for bicycling protection. We expect that our sales of peripheral products and accessories will increase in line with increased brand awareness.

Our Research and Development Efforts

Our Chairman and Founder, Dr. Christopher Leatt, is our primary research and development consultant and heads the research and development efforts conducted at our research facility, or Leatt Lab, located at our executive headquarters in Cape Town, South Africa. The facility houses a team of a biomedical engineer, consultants and designers who ensure products are scientifically and mechanically sound. This facility features state of the art testing and prototyping equipment and sophisticated simulation models. Leatt also utilizes other consultants, academic institutions and engineering companies from time to time to assist us with our research and development efforts.

We believe that the development of new products and new technology is critical to our success. We are continuously working to improve the quality, efficiency and cost-effectiveness of our existing products. All our products have achieved CE certification when necessary. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063. For the UK market our motorcycle helmets comply with ACU Gold. For Moto 3.5 helmets comply with JIS T 8133 for the Japanese Market and for the Brazilian market our Moto 7.5 and Moto 3.5 helmets complies with NBR 7471. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model Moto 7.5 to the CCC standard in China. We are working to develop technology to expand our range of products with further innovation, comfort, ergonomics and market appeal. We believe that our scientific and medical approach to product development gives our products a competitive edge.

Our research and development expenses for the fiscal years ended December 31, 2022 and 2021 amounted to $2,179,996 and $1,826,846, respectively. These expenses included salaries for research and development employees as well as other direct product development and research costs.

Competition

We compete with a small number of dominant competitors in the neck brace and body protection market, some of whom have substantially greater financial and other resources than we currently have. According to the 2022 Racer X Readers' Choice Survey discussed elsewhere herein and available at https://rx.iscdn.net/media-kit/2023/01/277_readers-choice-survey-results-2022-1.pdf , our major competitors in the neck brace market is Atlas Brace USA, LLC, Alpinestars S.p.A and EVS Sports; our major competitor in the knee brace market is EVS Sports; and our major competitor in the body protection, apparel and helmet market is Fox Racing.

Competition is based on quality, price, reputation, industry endorsements and certifications, as well as, on product design, brand names, marketing support and distribution strategies. We believe that our products can be distinguished from the products offered by our competitors due to the fact that our products are innovative, safety tested, versatile, aesthetically appealing, priced competitively and comfortable without compromising quality and performance.

Our Competitive Strengths

We believe that our competitive strengths include the following:

- *Intellectual Property.* Both our patents and licensed patented technology allows us to provide a product that cannot easily be duplicated by our competitors. We have invested extensive resources to patent our products worldwide and have taken legal action to protect our intellectual property rights from infringement.

- *Diverse Multi-Cultural Skilled Management Team*. Our management team is knowledgeable and experienced in the personal protective equipment industry, sports medicine and business development. Our executive corporate management team consists of Mr. Sean Macdonald, Dr. Christopher Leatt, Mr. Erik Olsson and Mr. Todd Repsher. Mr. Macdonald is our Chief Executive Officer, Chief Financial Officer, President and Director, and is a Chartered Accountant with over 15 years' experience in the financial and operational aspects of running sports orientated growth companies. Dr. Leatt is our Founder, Chairman and Research and Development consultant, who developed the Leatt-Brace® from his study of the benefits and viability of a neck protection system for helmet clad sport and recreational users. Mr. Olsson is our General Manager and Head of International Distribution and has served for over 20 years as a Sales and Product Manager for various companies in the power sports industry. Mr. Repsher is our US General Manager, who is an award-winning sales executive with over 15 years' experience in the marketing and sales of sports orientated companies in North America.

- *Sale and Distribution Channels:* Our ability to attract top tier distribution and retail sales channels for the sale of our products is a competitive advantage. These distributors have the financial and distribution resources and relationships to penetrate existing product categories within dealerships and reach a wide geographical dealer network and ultimately consumer base. The Company sells its products to consumers through a global network of approximately 56 global distributors, including the Company's U.S. subsidiary, Two Eleven, and its South African subsidiary, Leatt SA. The Company exercises control over this distribution network through its establishment of standard business terms and guidelines for the sale and distribution of its products to retailers worldwide, and through its direct control of Two Eleven and Leatt SA, the exclusive distributors of Leatt products to retailers in the US and South Africa, respectively. Our research and development and marketing teams also work closely with distributors to educate their sales forces about technical innovations in our products, and to provide support in the marketing and other promotion of our products. We believe that our increase in worldwide sales and our continued expansion into global markets is a testament to the efficiency and effectiveness of our worldwide distribution channels.

- *Outsourced Manufacturing*. We outsource our manufacturing to third-party manufacturers in order to produce large volumes of our products. The manufacturing process remains subject to our strict quality control guidelines safeguarded by our employees and the third-party inspectors who we hire as consultants to ensure that these guidelines are being implemented at the production point. While such manufacturing arrangements pose a risk to our ability to safeguard our proprietary technologies and may lead to increased costs, as discussed under the "Risk Factors" heading in this report, we expect that the increase in expected sales volumes will contribute to a lower production cost per unit and that this will translate to better margins for our distributors and retailers.

- *Research, Development, Certification and Marketing Capabilities*. We have in-house know-how in the areas of product development, testing and accreditation, particularly in the field of personal protective equipment. With the experience and capabilities developed and established in taking our product to market, we believe that we are well positioned to develop, manufacture and market additional products. With our medical and mechanical expertise, demonstrated research and development capabilities, established outsource manufacturing capacity, established brand and our dedicated, loyal and enthusiastic distribution network, we believe that we have the components necessary to bring new successful products to market.

- *Industry Accreditation, Testing Standards and Regulations.* We are pursuing accreditation and endorsements of our products from global motor sports governing and homologation bodies as well as industry organizations. We have obtained homologations of our products from various global racing authorities where objective standards have been set and we are in discussions with governing racing bodies, such as the FIM, to have the Leatt-Brace® accredited. Should industry accreditation become compulsory, we would be ahead of our competitors in the marketplace.

- *Brand Recognition*. We believe that public recognition of the Leatt® brand drives the sales of our products, regardless of the action of competitors and competitive products. We expect that the reputation of our brand in the market place, particularly our product testing and applicable CE certification, will continue to ensure market acceptance and facilitate market penetration of our new products. In order to bolster and grow the Leatt® brand, stringent quality control and assurance are our highest priority and our ongoing marketing, advertising and public relations efforts continue to stress the quality, safety and innovation of our products.

Our Intellectual Property

We believe that the continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. Most of these initial intellectual property rights are held by Xceed Holdings, a corporation controlled by our Chairman, Dr. Christopher Leatt and the rest of these rights are held by the Company. We license most of our intellectual property from Xceed Holdings, pursuant to a patent and royalty license agreement, or Licensing Agreement, dated March 1, 2006, between the Company and Xceed Holdings. Under the terms of the Licensing Agreement, we are obligated to pay Xceed Holdings 4% of all our revenues billed and received from the Leatt-Brace®. In addition, pursuant to a separate license agreement between us and Mr. De Villiers, we are obligated to pay a royalty fee of 1% of all our billed and received sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. We also rely on nondisclosure agreements and other methods to protect our intellectual property rights. However, the steps we have taken may be inadequate to prevent the misappropriation of our technology.

Xceed has licensed to us thirty-five utility patents registered in various countries for the Neck Brace with renewal dates ranging from March 2023 to April 2025. Furthermore, we have a license for six European and U.S. patent designs covering various Neck Brace designs, three expire in 2023 and 2025, while the remainder have renewal dates in 2025 and 2027.

We hold one South African patent for the shoulder brace, and one South African patent for the Chest protector, both have renewal dates in 2023. We hold knee brace patents in both U.K and Germany with renewal dates in 2023. We hold one design patent in Europe for our MTB shoe sole design which is renewable in 2025.

We hold patents for goggles in both U.K and Germany with renewal dates in 2023. We hold one patent application for goggles pending in the U.S.A, where patents are only renewable once they are granted. We filed a PCT patent application for goggles in 2023 which is currently pending. We hold four design patents for goggles in Europe, with renewal dates in 2024, 2025, and 2027. We hold one design patent for goggles in the U.S.A, we also hold four design patent applications for goggles pending in the U.S.A.

We hold patents for our Turbine helmet in Australia, Hong Kong, Germany, and the U.K. which all have renewal dates in 2023. The European patent application for our Turbine helmet on which the U.K. and German patents are based is opposed. We also hold a patent for our Turbine Helmet in the U.S.A which is renewable in 2025, and we hold another patent application pending in the U.S.A. We hold two U.S.A. design patents, one for our visor screw and the other for our hydration system, these patents expire in 2031 and 2030, respectively. We hold one European design patent for our visor screw and hydration system that is renewable in 2024.

We hold design patents for the STX Neck Brace in Japan, Europe, and the U.S.A. The design patents in Japan and Europe are renewable in 2023 and 2025, respectively. The design patent in U.S.A. expires in 2026. We hold a design patent for a Neck Brace sock kit in the U.S.A. which expires in 2024.

We hold a Flexlock Boot patent in the U.S.A., U.K., Germany, Italy, and Thailand which are renewable in 2025 and 2023, respectively. We hold a patent for boots in the U.K which is renewable in 2024. We hold two patent applications for boots in both U.S.A. and Germany which are currently pending. The renewal date for the boot patent application in Germany is 2024. We hold a boot design patent in Europe which is renewable in 2024 and a boot design patent in the U.S.A.

We hold three patents for a jacket in Germany, U.K., and U.S.A. which are up for renewal in 2024. We hold patents for our hoodies with a magnetic fixture in the U.K. and U.S.A., which are renewable in 2023 and 2026, respectively. We hold a patent application for our hoodie with a magnetic fixture in Germany which is currently pending and renewable in 2023.

We hold a design patent for an NFL product in the U.S.A. We filed a patent application in the U.K for a bicycle handlebar product in 2022, which is currently pending.

Patents applicable to specific products extend for varying periods according to the date of patent application filing or patent grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. Issued patents or patents based on pending patent applications or any future patent applications may not exclude competitors or may not provide a competitive advantage to us. In addition, patents issued or licensed to us may not be held valid if subsequently challenged and others may claim rights in or ownership of such patents. In addition, the validity and breadth of claims in protective gear technology patents involve complex legal and factual questions and, therefore, the extent of their enforceability and protection is highly uncertain.

We have extensive licensed and registered trademarks. Leatt® is trademarked in Argentina, Australia, Brazil, Canada, Chile, China, the European Union, Indonesia, Japan, Mexico, New Zealand, South Africa, Taiwan, U.S.A and U.K. in multiple classes depending on the jurisdiction. These multiple trademarks have renewal dates between 2026 and 2033. We also have a pending application for Leatt™ in Thailand. Leatt-Brace® has been trademarked in China, the European Union, South Africa, U.K. and U.S.A. with renewal dates between 2024 and 2031. APLT® and Alternative Load Path Technology® trademark is registered in U.S.A. in class 9 renewable in 2031 and 2030 respectively. Leatt® has also been trademarked in special script in Brazil and China with renewal dates in 2032. The Leatt Devices and/or Icons have been trademarked in Brazil, the European Union, South Africa, U.K. and U.S.A. with renewal dates between 2024 and 2032 in multiple classes depending on the jurisdiction.

We have expanded our trademark portfolio to accommodate our expending product categories. Brace On® is registered in class 9 in Australia, the European Union, U.K. and U.S.A. with renewal dates between 2023 and 2031. RIDEVIZ® is registered in class 9 in Australia, China, the European Union, U.K. and U.S.A. with renewal dates between 2030 and 2032. RideGrip® is registered in class 25 in China, the European Union, and U.K. and U.S.A. with renewal dates between 2030 and 2032. FirstTurn® is registered in class 9 in China, the European Union, U.K. and USA with renewal dates between 2030 and 2032. Ceramag® is registered in class 12 in the European Union, U.K. and Taiwan with renewal dates in 2031 and 2032. We have Ceramag™ trademark pending in class 12 in U.S.A. HydraDri® is registered in classes 25 and 28 in the European Union and U.K. with renewal dates in 2031. We have a pending trademark for HydraDri™ in class 25 in U.S.A.

From time to time, we have had to enforce our intellectual property rights through litigation, and we may be required to do so in the future. Reverse engineering, unauthorized copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us. We cannot assure you that our competitors have not developed or will not develop similar products, will not duplicate our products, or will not design around any patents issued to or licensed by us. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be.

Our Employees

As of December 31, 2022, we employed 85 full-time employees and 30 independent contractors. The following table sets forth the number of our full-time employees and contractors by function as of December 31, 2022.

Employee & Contractor Function	Number
Executive	4
Internet & Technology	2
Product Development	16
Marketing	14
Finance	4
Operations and Distribution/Logistics	22
Research and Development/Leatt Lab	4
Legal & Compliance	4
Sales & Customer Services	20
Support Staff	4
Inside Sales Representatives	3
Outside Sales Representatives	18
Total	**115**

We employ 4 full-time employees who are dedicated exclusively to research, development, and testing. We also utilize consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist us with our research and development efforts where specific and specialized knowledge is needed.

Our Company employs the majority of its employees at its offices in Durbanville, South Africa and in Reno, Nevada. We are required to pay UIF, or unemployment insurance, for each of our South African employees. We are also required to withhold income taxes for our South African and U.S. based employees. We generally provide health care benefits and other standard benefits to our employees. Effective January 1, 2019, we implemented a 401k plan for the benefit of all our U.S. based employees and effective June 1, 2019, we implemented a provident fund for the benefit of all our permanent S.A. based employees.

We value retaining employees long term and developing our human capital which is evident in the length of tenure of many of our most senior personnel. We are continually evaluating our staffing requirements, working conditions, employee benefit programs and compensation packages that include medium and long term incentives through equity compensation plans to retain staff long term. We have established and continue to enhance and refine a comprehensive set of practices for recruiting, managing and optimizing the global human resources of our organization. In many cases, we utilize objective benchmarking and other tools in our efforts. We aim to instill a passion to protect riders around the world with exceptional products in our workforce which provides purpose.

We believe that we maintain a professional and productive working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

Regulations

The 2012 JOBS Act

We qualify as an “emerging growth company,” as defined in Title I of the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company is defined as an issuer, including a foreign private issuer, with less than $1 billion of total annual gross revenues during the most recently completed fiscal year. The SEC has interpreted “total annual gross revenues” to mean total revenues as presented on the income statement presentation under U.S. GAAP, which for the Company was $72.48 million for the fiscal year ended December 31, 2022. We will retain our status as an emerging growth company until the earlier of: (1) the fifth anniversary of the date we first sell securities pursuant to an IPO registration statement; (2) the last day of the fiscal year in which we first exceed $1 billion in annual gross revenues; (3) the time we become a large accelerated filer (an SEC registered company with a public float of at least $700 million); or (4) the date on which we have issued, within the previous three years, $1 billion of nonconvertible debt, whether issued in a registered or unregistered offering and whether or not it is still outstanding at the determination date.

The JOBS Act provides scaled disclosure provisions for us, including, among other things: (a) permitting us to include only two years of audited financial statements in a registration statement filed under the Securities Act of 1933 for an IPO of common equity securities; (b) allowing us to comply with the smaller reporting company version of Item 402 of Regulation S-K (Executive Compensation); and (c) removing the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting in accordance with Section 404(b) of the Sarbanes-Oxley Act of 2002. The JOBS Act also exempts us from the following additional compensation-related disclosure provisions that were imposed on U.S. public companies pursuant to the Dodd-Frank Act: the advisory "say-on-pay" vote on executive compensation required under Section 14A(a) of the Exchange Act; the Section 14A(b) requirements relating to shareholder advisory votes on golden parachute compensation; the Section 14(i) requirements for disclosure relating to the relationship between executive compensation and financial performance of the issuer; and the requirement of Dodd-Frank Act Section 953(b)(1), which will require disclosure as to the relationship between CEO and median employee pay.

Under Section 102(b)(1) of the JOBS Act, "emerging growth companies" can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have irrevocably elected not to avail ourselves of this extended transition period for compliance with new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

European Union Directives

Our products are compliant with all applicable harmonized European Union Regulations. Leatt Personal Protective Equipment products are EU Type Certified showing compliance with European Union Personal Protective Equipment Regulation (EU) 2016/425 and/or the Medical Device Regulation (EU) 2017/745 for hybrid PPE/Medical products. The harmonized PPE Regulation (EU) 2016/425 lays down essential health and safety requirements (EHSRs) and leaves it to standards, primarily European harmonized standards, to give technical expression of the relevant requirements contained in the Regulation. For Leatt this includes the Company's Leatt-Brace® and body protection products.

It means that as a minimum these products must comply with: the basic Health and Safety requirements of the PPE regulation; certain chemical innocuousness tests prescribed in EN ISO 13688:2013 "Protective clothing - General Requirements"; and the requirements relating to usage, care, cleaning, sizing and other information to be supplied with the product. Accordingly, all Leatt-Braces®, chest protectors and body protection products are CE certified. Only our peripheral products such as jackets, clothing, and caps are not covered.

In addition to the minimum requirements some products require compliance with the European Standards, or EN (European Norm), specific to certain categories of PPE in order to achieve certification. An EN is a standard that has been adopted by one of the three recognized European Standardization Organizations (ESOs): CEN, CENELEC or ETSI. It is produced by all interested parties (including manufacturers, users, consumers and regulators of a particular material, product, process or service) through a transparent, open and consensus-based process. In the Company's case these are the applicable EN standards: EN 14021 Stone Shields; EN 1621-1 Limb Protectors; EN 1621-2 Back Protectors; EN1621-3 Chest Protectors; EN 21420:2020 Protective Gloves; EN 13594:2015 Protective gloves for motorcycle riders; EN1078:1997 Helmets for pedal cyclists and for users of skateboards and roller skates; EN 13634: 2017 Protective footwear for motorcycle riders; EN1938:2010 Personal eye protection - Goggles for motorcycle and moped users; EN 13595-3:2020 - "Protective garments for motorcycle riders - Parts 3: Class AA Garments". These standards are more performance related and, among other things, measure the performance of PPE at various intensity levels and under different environmental conditions. They also prescribe product labeling, tests for user comfort and ease of use. Where no specific standards exist in the EU, such as with the neck brace, wrist brace or specialized protective equipment for juniors, the Notifying Body will be responsible for interpreting the requirements based on the intended use and environment, develop appropriated testing protocols and perform the technical evaluation necessary for certification.

The PPE Regulation (EU) 2016/425 is total harmonization and a "New Approach" legislation aligned to the "New Legislative Framework". It lays down essential health and safety requirements (EHSRs) and leaves it to standards, primarily European harmonized standards, to give technical expression of the relevant requirements contained in the Regulation.

FDA and MHRA Registration

In the 2015 first quarter our Knee Brace was accepted for registration by both the FDA and the MHRA, and our Shoulder Brace was accepted by the FDA, as Class 1 Medical Devices. FDA and MHRA registration allow us to take these products directly to market as medical devices for patients (not just athletes) recuperating from injuries, surgery, muscle tears or strains, dislocations, breaks or fractures. The Company's FDA registration included the contract manufacturer of the braces, a Good Manufacturing Practices (GMP) vendor. For the registration period, which currently expires on December 31, 2023, we will be required to maintain logs of complaints or problems, and to provide appropriate labeling for medical uses. We have renewed our registration until December 31, 2023. The MHRA registration of the knee brace is open-ended, subject to the Company's continued monitoring of product performance in the marketplace and delivery of prompt responses to the MHRA as necessary.

Other Accreditation

We have also obtained certifications for our helmets depending on the market, all Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market, our bicycle helmet complies with AS/NZS 2063, for the UK market our motorcycle helmets comply with ACU Gold and for the Japanese market our Moto 3.5 helmet complies with JIS T 8133. For the Brazilian market our Moto 7.5 and Moto 3.5 helmets complies with NBR 7471. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model Moto 7.5 to the CCC standard in China.

We also voluntarily submitted our Moto GPX neck brace to be tested by the in-house engineers of BMW Motorrad (Germany) and to be reviewed by KTM (Austria). We believe that such testing, while not mandatory, provides validation for our product's performance.

Environmental Matters

Our products are primarily designed for outdoor use and unseasonable weather or physical changes associated with climate change could lead to increased expenses and a reduction in our sales revenue. Unseasonable weather and prolonged, extreme temperatures, such as hurricanes, winter storms, earthquakes, floods, heatwaves, and other natural disasters may affect consumer participation in outdoor sporting activities and adversely impact their demand for our products. In addition, severe weather could disrupt the operation of our facilities and cause service outages, production delays and property damage that require us to incur additional expenses. Such weather conditions may also affect our ability to deliver our products to our customers or may require them to close certain stores temporarily, thereby reducing sales. As a result, unseasonable weather in any of our markets could negatively impact our net revenues.

Legal and regulatory developments related to climate change or other initiatives could also potentially increase costs and affect our ability to deliver our products. We have begun to utilize eco-friendly and sustainably sourced materials for the packaging of our products and have recently introduced a new range of MTB products made from biodegradable, plastic-free materials that maintain their high-performance edge and durability. We are continually considering and implementing steps to sustainably reduce the Company's carbon footprint and we are currently evaluating various environmental certification body's with the intent of certifying our efforts to reduce our impact on the environment over the last few years. There were no material capital expenditures for environmental matters in the year ended December 31, 2022.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section entitled "Special Note Regarding Forward-Looking Statements" above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

RISKS RELATED TO OUR BUSINESS

Our business and financial performance may be adversely affected if our information technology systems fail to perform adequately or if they are the subject of a security breach or cyberattack.

We are a multinational company and rely on a variety of information technology systems in the ordinary course of business to manage business data, communications, supply chain, order entry and fulfilment, customer support, billing and payments. Our system and processes are potentially vulnerable to cybersecurity incidents, such as terrorist or hacker attacks, the introduction of malicious computer viruses, ransomware, falsification of banking and other information, insider risk, or other security breaches, including individual or advanced persistent cyber-attacks on our information technology infrastructure and attempts by others to gain access to our proprietary or sensitive information regarding our employees, suppliers and customers.

If there is a cybersecurity incident, we may suffer interruptions to our business and service, loss of assets or data, or reduced functionality, which could materially adversely affect our financial condition, business and results of operations. Many of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality a cybersecurity incident could cause. Security breaches of our systems which allow inappropriate access to or inadvertent transfer of information and misappropriation or unauthorized disclosure of confidential information belonging to us or to our employees, customers, or suppliers could have an adverse impact on our results of operation. If a customer, supplier or employee alleges that a cyberattack caused or contributed to a loss or compromise of critical information, we could face significant harm to our reputation and financial condition. Any remedial costs or other liabilities related to information security system failures and cybersecurity incidents may not be fully insured or indemnified by other means.

While we attempt to mitigate cybersecurity risks by employing a number of proactive measures, including, technical security controls, enhanced data protection, advanced intrusion detection, targeted threat protection, maintenance of backup, protective systems and disaster recovery procedures, our systems remain potentially vulnerable to cybersecurity threats, any of which could have a material adverse effect on our business. We believe our mitigation measures reduce, but cannot eliminate, the risk of a cybersecurity incident. Despite any precautions we may take, a cybersecurity incident could harm our reputation and financial condition and cause us to incur legal liability and increased costs to respond to such events. Our cyber liability insurance may not be sufficient to compensate us for losses that may result from interruptions in our services or asset or data loss as a result of cybersecurity incidents.

Global economic turmoil could negatively affect our domestic and international sales, results of operations, and financial condition.

Prolonged turmoil in the global economy, especially in the U.S., South America and Europe, including the conflict in Ukraine, could have a negative impact on our ability to conduct business outside the U.S. and on our financial condition. Our exposure to such risks may further increase if any of these economic conditions impact levels of consumer spending.

We sell our products through a global network of distributors and dealers who may have difficulty clearing elevated stock, previously stockpiled in response to industry wide supply chain challenges, which in turn could slow new orders and affect our financial performance. If our customers were to experience slow growth or recession, we could see a drop-in demand for our products, difficulty in obtaining materials and supplies, difficulty in collecting accounts receivables, an increase in accounts receivable write-offs, and greater foreign exchange rate volatility affecting our profitability and cash flow. Customers may also purchase lower-cost products made by competitors and not resume purchasing our products even after economic conditions improve. While we employ comprehensive controls regarding global cash management to guard against cash or investment loss and to ensure our ability to fund our operations and commitments, a material disruption to the counterparties with whom we transact business could expose us to financial loss.

For the years ended December 31, 2022 and 2021, annual revenues from sales to international customers were $59,020,266 and $52,337,504, or 77% and 72% of our total revenue, respectively. While we do not expect to see any significant material adverse impact on our distribution channels (discussed elsewhere in this report), if demand for our products fluctuates as a result of these economic conditions or otherwise, our revenue and gross margin could be harmed.

Our international operations expose us to foreign exchange risk and currency fluctuations affect our operating profits.

We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these currencies into U.S. dollars when we consolidate our financial results. Operating outside of the United States further exposes us to foreign exchange risk, which we monitor. We are most sensitive to changes in the exchange rates of the South African Rand (or ZAR), the Renminbi, the Euro and the U.S. dollar. Because of our primary operations in South Africa, a portion of our consolidated revenues are denominated in ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources, so we have more ZAR expenses than we do sales in South Africa. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. Alternatively, if the ZAR depreciates against the U.S. dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. dollar financial statements will decline. In China we have more Renminbi expenses than we do sales, because we manufacture our products in China that we sell globally. A decrease in the value of the U.S. dollar in relation to the Renminbi could increase our cost of purchasing products in China. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

In Europe we have significantly more sales than we do expenses. Since 77% of our sales is derived outside the U.S. where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.

We engage in international manufacturing and sales which exposes us to trade restrictions and disruptions that could harm our business and competitive position.

We derive 77% of our revenues from international sales and we develop and primarily manufacture our products outside of the U.S. As a result, we are subject to risks associated with shipping products across borders, including shipping delays, customs duties, export quotas and other trade restrictions that could have a significant impact on our revenue and profitability.

Although there is more certainty regarding the outcome of BREXIT due to the withdrawal agreement that was concluded between the European Union and the United Kingdom on January 24, 2020, we continue to evaluate the potential effect of the United Kingdom's (UK) departure from the European Union (EU) (commonly referred to as "Brexit") on our business operations and financial results. We anticipate that Brexit may have adverse tax effects on movement of products or sustainment activities between the UK and EU. Additionally, Brexit may still have an impact the value of the pound sterling. If the pound sterling were to depress significantly against the U.S. dollar, this could negatively impact the ability of our UK customers to afford our products. Currently, we do not anticipate that Brexit will have a material impact on our operations or our financial results.

If we cannot deliver our products on a competitive and timely basis, our relationships with international customers will be damaged and our financial condition could also be harmed. The future imposition of, or significant increases in, the level of tariffs, custom duties, export quotas and other barriers and restrictions by the U.S. on China or other countries could disrupt our supply chain, increase the cost of our raw materials and therefore our pricing, and impose the burdens of compliance with foreign trade laws, any of which could potentially affect our bottom line and sales. While we are in continuous discussions with our manufacturers to ensure there are contingencies in place, we cannot assure you that we will not be adversely affected by changes in the trade laws of foreign jurisdictions where we sell and seek to sell our products.

Economic disruption resulting from the COVID-19 pandemic has exposed us to rising freight shipping and logistics costs that could have an adverse effect on our results of operations.

The economic disruption resulting from the COVID-19 pandemic has had an adverse impact on the global freight shipping industry and on the cost of shipping our products to our global network of distributors, dealers and customers, or their import agents, from warehouses in China. Over the past year, the strong rise in demand for Chinese exports has outpaced the availability of containers in Asia, creating a container shortage and huge backlogs in many freight markets around the world, including the U.S., the Middle East, and East Asia. These container shortages at Asian ports have exacerbated supply bottlenecks and further increased shipping costs, by up to 400% in some regions, as companies in Asia are reported to be paying premium rates to get containers back. Further compounding matters is the shortage of dockworkers and truck drivers available to load and unload containers at ports in Europe and the U.S. and to move them to other locations, resulting in congested ports. We are working closely with our supply chain management in Asia, our logistics service providers, and our freight forwarders, to streamline our global shipping and logistics processes, to mitigate any disruption to our operations. Continued disruption and pricing volatility in the global shipping and logistics industry could have a negative impact on our results of operations for the coming periods and beyond.

In order to grow at the pace expected by management, we may require additional capital to support our long-term growth strategies. If we are unable to obtain additional capital in future years, we may be unable to proceed with our plans and we may be forced to curtail our operations.

We currently meet our working capital requirements with cash flow provided by our operating activities, and we expect to continue doing so for the foreseeable future. Since November 2018, the Company has maintained a revolving line of credit agreement with a bank under which it now has access to a line of credit facility of $1,500,000 which remains available in full for advances through February 2024. However, in the future we may require additional working capital to support our long-term growth strategies, including identifying suitable targets for horizontal or vertical mergers or acquisitions so as to enhance the overall productivity and benefit from economies of scale. If the uncertainty arising out of domestic and global economic conditions and the ongoing tightening of domestic credit markets persist, we may not be able to generate adequate cash flows or obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources. Even if we are able to get additional financing, it might not be on terms that are favorable to the Company. Furthermore, additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities, including registration rights. If we are unable to raise additional financing, we may be unable to implement our long-term growth strategies, develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail operations.

A substantial amount of our sales revenue is derived from sales to a limited number of customers, and our business will suffer if sales to these customers decline.

We have derived a significant portion of our revenue from a limited number of customers, however none of our customers account for more than 10% of our consolidated revenues. For the years ended December 31, 2022 and 2021, our largest customer accounted for approximately 9% and 10% of our annual U.S. revenue, respectively. As of December 31, 2022, and 2021, $45,030 or 0.3% and $254,477 or 2% of our accounts receivable, was due from this customer. For both the years ended December 31, 2022 and 2021, our international revenue derived outside of the U.S. was earned from one customer that accounted for approximately 12% and 10% of our annual international revenue. As of December 31, 2022, and 2021, $1,812,924 or 11% and $1,273,532 or 10% of our accounts receivable, respectively, was due from this international customer. We do not have long term contractual arrangements with most of these wholesale customers. The loss of one or more of these customers could damage our business, financial condition and results of operations.

Significant fluctuations in fuel prices could have an adverse impact on our business and operations.

A significant portion of our revenue is derived from international sales and so significant fluctuations in fuel prices could adversely affect our business and operations. While fluctuations in fuel prices could lead to higher commuter costs which may encourage the increased use of motorcycles and bicycles as alternative modes of transportation and lead to an increase in the market for our protection products, significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers.

Expansion of our business may put added pressure on our management, financial resources and operational infrastructure impeding our ability to meet any increased demand for our products and possibly hurting our operating results.

Our business plan is to significantly grow our operations to meet anticipated growth in demand for existing products, and by the introduction of new product offerings. Our planned growth includes the construction of several new production lines to be put into operation over the next five years. Growth in our business may place a significant strain on our personnel, management, financial systems and other resources. We may be unable to successfully and rapidly expand sales to potential customers in response to potentially increasing demand or control costs associated with our growth. To accommodate any such growth and compete effectively, we may need to obtain additional funding to improve information systems, procedures and controls and expand, train, motivate and manage our employees, and such funding may not be available in sufficient quantities, if at all. If we are not able to manage these activities and implement these strategies successfully to expand to meet any increased demand, our operating results could suffer.

We rely on patent and trade secret laws that are complex and difficult to enforce and we may not be able to prevent others from unauthorized use of our intellectual property. If we are not able to adequately secure and protect our patent, trademark and other proprietary rights our business may be materially affected.

The continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. We also rely on nondisclosure agreements and other methods to protect our intellectual property rights. However, the steps we have taken may be inadequate to prevent the misappropriation of our technology. In addition, the validity and breadth of claims in protective gear technology patents involve complex legal and factual questions and, therefore, the extent of their enforceability and protection is highly uncertain. Issued patents or patents based on pending patent applications or any future patent applications may not exclude competitors or may not provide a competitive advantage to us. In addition, patents issued or licensed to us may not be held valid if subsequently challenged and others may claim rights in or ownership of such patents. Reverse engineering, unauthorized copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us. We cannot assure you that our competitors have not developed or will not develop similar products, will not duplicate our products, or will not design around any patents issued to or licensed by us. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be.

We depend on key personnel, and turnover of key employees and senior management could harm our business.

Our future business and results of operations depend in significant part upon the continued contributions of our key technical and senior management personnel, including specifically, Dr. Christopher Leatt, our Chairman and Research and Development Consultant and the licensor of some of our intellectual property, Sean Macdonald, our Chief Executive Officer and President, Erik Olsson, our International General Manager and Todd Repsher, our U.S. General Manager (collectively, "Key Personnel"). Our future also depends in significant part upon our ability to attract and retain additional qualified management, technical, marketing and sales and support personnel for our operations. To address this risk, we have taken out key man insurance on our Key Personnel. However, if we lose any of our Key Personnel, if any of them fails to perform in their current position, or if we are unable to attract and retain skilled personnel as needed to support business operations from time to time, our business could suffer. In addition, significant turnover of Key Personnel in our senior management could significantly deplete our institutional knowledge held by them. We depend on the skills and abilities of these Key Personnel in managing the development, manufacturing, technical, marketing and sales aspects of our business, any part of which could be harmed by further turnover.

We face an inherent business risk of exposure to product liability claims that could have a material adverse effect on our operating results.

Because of the nature of our products, we face an inherent business risk of exposure to product liability claims arising from the claimed failure of our products to prevent the types of personal injury or death against which they are designed to protect. Plaintiffs may also advance other legal theories supporting claims that our products or actions resulted in harm to them. We maintain product liability insurance policies with a self-insured retention to attempt to manage this risk worldwide. But although we maintain product liability insurance coverage, there can be no absolute assurance that our coverage limits will be sufficient to cover any successful product liability claims made against us now or in the future. Furthermore, our insurance coverage does not include damages which may be assessed against us for willful and/or intentional injury, or for exemplary or punitive damages. Any claim or aggregation of claims substantially in excess of our insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on our financial condition and results of operations. These claims also have a negative impact on the renewal our product liability insurance policy and the premiums.

We may not be able to adequately finance the significant costs associated with the development of new protective equipment products.

The products in the protective equipment market can change dramatically with new technological advancements. We are currently conducting research and development on new products, which requires a substantial outlay of capital. To remain competitive, we must continue to incur significant costs in product development, equipment, facilities and invest in research and development of new products. These costs may increase, resulting in greater fixed costs and operating expenses. In addition to research and development costs, we could be required to expend substantial funds for and commit significant resources to the following: additional engineering and other technical personnel; advanced design, production and test equipment; manufacturing services that meet changing customer needs; technological changes in manufacturing processes; working capital and; manufacturing capacity. Our future operating results will depend, to a significant extent, on our ability to continue to provide new and competitive products that compare favorably on the basis of cost and performance with the design and manufacturing capabilities of competitive third-party technologies. We will need to sufficiently increase our net sales to offset these increased costs, the failure of which would negatively affect our operating results.

We may be exposed to potential risks relating to our internal controls over financial reporting and our ability to have those controls attested to by our independent auditors.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company's internal controls over financial reporting in their annual reports, including Form 10-K. Under current law, we became subject to the requirements of SOX 404 beginning with our annual report for the fiscal year ended December 31, 2012 and since becoming a U.S. public company, we have evaluated our internal control systems in order to allow our management to meet these requirements, including for this annual report for the fiscal year ended December 31, 2022. We can provide no assurance that we will comply with all of the requirements imposed thereby in the coming years. In the event that we ever identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements.

We are an "emerging growth company," and have availed ourselves of scaled public company reporting requirements and requirements for stockholder approval and advice applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including not being required to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions and requirements of stockholder advisory votes and approvals until we are no longer an emerging growth company.

We could be an "emerging growth company" for up to five years after the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act, which we expect will be pursuant to a Registration Statement on Form S-8 or on Form S-1. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed $1 billion or we issue more than $1 billion of non-convertible debt in any three-year period, we would cease to be an "emerging growth company" prior to the end of such five-year period. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choice we make to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

Unseasonable weather may disrupt our operations and may reduce consumer demand for our products.

Our products are primarily designed for outdoor use and unseasonable weather could lead to increased expenses and a reduction in our sales revenue. Unseasonable weather and prolonged, extreme temperatures, such as hurricanes, winter storms, earthquakes, floods, heat waves, and other natural disasters may affect consumer participation in outdoor sporting activities and adversely impact their demand for our products. In addition, severe weather could disrupt operation of our facilities and cause service outages, production delays and property damage that require us to incur additional expenses. Such weather conditions may also affect our ability to deliver our products to our customers or may require them to close certain stores temporarily, thereby reducing sales. As a result, unseasonable weather in any of our markets could negatively impact our net revenues.

Natural or man-made catastrophic events may disrupt our business and negatively impact our results of operation.

We are exposed to natural or man-made catastrophic events that may disrupt our business and may reduce consumer demand for our products. A disruption or failure of our systems or operations in the event of a natural disaster, health pandemic, such as the outbreak and global spread of COVID-19 or the coronavirus, or a man-made catastrophic event could cause delays in completing sales, continuing production or performing other critical functions of our business, particularly if a catastrophic event occurred at our primary manufacturing locations or our distributor locations worldwide. Any of these events could severely affect our ability to conduct normal business operations and, as a result, our operating results could be adversely affected. There may also be secondary impacts that are unforeseeable, such as impacts on our consumers and on consumer purchasing behavior, which could cause delays in new orders, delays in completing sales or even order cancellations. As the COVID-19 pandemic continues to evolve, we believe the extent of the impact to our operations will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic. Due to strong consumer demand for outdoor product categories, we did not see any significant material negative impact of COVID-19 on the Company's results of operations for the year ended December 31, 2022.

We remain cautiously optimistic that ongoing efforts to increase the availability of new COVID-19 vaccines worldwide will mitigate the spread of the virus throughout Europe and the U.S. (our largest markets) and bring about an end to global quarantines. The continued mutation and spread of the virus, economic headwinds caused by global quarantines, or the occurrence of any other catastrophic events, could have a negative impact on our sales revenue for the coming periods and beyond.

RISKS RELATED TO OUR INDUSTRY

We may not be able to maintain or improve our competitive position because of strong competition in the personal protective equipment industry, and we expect this competition to continue to intensify.

We face competition from other global manufacturers and distributors who provide personal protective equipment to users of motorcycles, ATVs, snowmobiles, motor racing cars and other helmeted sports. Some of our international competitors are larger than we and possess greater name recognition, assets, personnel, sales and financial resources. These entities may be able to respond more quickly to changing market conditions by developing new products and services that meet customer requirements or are otherwise superior to our products and services and may be able to more effectively market their products than we can because they have significantly greater financial, technical and marketing resources than we do. They may also be able to devote greater resources than we can to the development, promotion and sale of their products. Increased competition could require us to reduce our prices, result in our receiving fewer customer orders, and result in our loss of market share. We cannot assure you that we will be able to distinguish ourselves in a competitive market. To the extent that we are unable to successfully compete against existing and future competitors, our business, operating results and financial condition would be materially adversely affected.

If we are unable to develop competitive new products our future results of operations could be adversely affected.

Our future revenue stream depends to a large degree on our ability to utilize our technology in a way that will allow us to offer new types of safety products to a broader client base. We will be required to make investments in research and development in order to continue to develop new products, enhance our products and achieve market acceptance. We may incur problems in the future in innovating and introducing new and innovative products or, if developed, such products may not achieve significant customer acceptance. If we are unable to successfully define, develop and introduce competitive new products or improve on existing ones, our future results of operations would be adversely affected.

The value of our brand and sales of our products could be diminished if we, the individuals who use our products or the sport and activity categories in which our products are used, are associated with negative publicity.

Our success depends on the value of our brand. Our brand could be adversely affected if our public image or reputation were to be tarnished by negative publicity. Many athletes and other public individuals use our products and actions taken by such persons that harm the reputations of activities they participate in could also harm our brand image and result in a material decrease in our revenues and net income, which could have a negative effect on our financial condition and liquidity. In addition, negative publicity resulting from severe injuries or death occurring in the sports or activities in which our products are used and negatively impacts the popularity of such sport or activity, could have a subsequent negative effect on our net sales of products used in that sport or activity.

We may not be able to receive certain industry certifications and accreditation for our products.

We have obtained certification and approvals for certain of our products, including approval of our new knee brace as a Class 1 medical device by both the U.S. FDA and the UK's Medicine and Healthcare Regulatory Products Agency (MHRA), and approval of our shoulder brace as a Class 1 medical device by the U.S. FDA. All our products are compliant with applicable European Union directives, or CE certified, where appropriate. All Leatt Personal Protective Equipment (PPE) products are CE Certified showing compliance with European Economic Community (EEC) directive 89/686/EEC that imposes mandatory accreditation of all Personal Protective Equipment products offered for sale in the EEC. This includes the Company's Leatt-Brace® and body protection products. We have also obtained certifications for our helmets depending on the market, for the U.S. market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmets comply with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063. For the UK market our motorcycle helmets comply with ACU Gold and our Moto 3.5 helmets comply with JIS T 8133 for the Japanese Market. For the Brazilian market our Moto 7.5 and Moto 3.5 helmets complies with NBR 7471. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model Moto 7.5 to the CCC standard in China. We also voluntarily submitted our GPX neck brace to be tested by the in-house engineers of BMW Motorrad (Germany) and to be reviewed by KTM (Austria).

We believe that such testing, while not mandatory, will provide validation for our product's performance, however, there is no guarantee that our products will receive DOT, EN1078, CPSC 1203, ASTM F1952, AS/NZS 2063, ACU Gold, CE Certification or meet BMW testing standards. Our failure to meet testing standards could cause reputational harm and have a negative effect on net sales of products.

RISKS RELATED TO DOING BUSINESS IN NON-US JURISDICTIONS

We face risks associated with doing business in non-US jurisdictions.

We have affiliates, and our products are manufactured in and distributed from facilities, located in foreign countries, including countries in Asia and South Africa. International operations are subject to certain risks inherent in doing business abroad, including: exposure to political, social and economic instability; expropriation and nationalization; withholding and other taxes on remittances and other payments by subsidiaries; difficulties in enforcement of contract and intellectual property rights; exposure to foreign current exchange rates, interests rates and inflation; investment restrictions or requirements; and export and import restrictions.

We continue to monitor any adverse impact that the outbreak of war in Ukraine and the subsequent institution of sanctions against Russia by the US and several European leaders may have on the global economy in general and on our business operations and that of our suppliers and customers, in particular. For example, a prolonged conflict may have unintended consequences such as increased inflation, fuel and transportation costs and an increase in bad debt expense from doubtful accounts receivable balances owed by affected customers. We will continue to monitor this fluid situation and develop contingencies as necessary to address any disruptions to our business operations as they develop.

We are highly dependent on our foreign affiliates for their production capabilities and increasing our foreign operations and business relationships are important elements of our strategy. As a result, our exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential impact on us varies from country to country and are unpredictable.

Our operations and assets in China are subject to significant political and economic uncertainties.

Changes in PRC laws and regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency or the nationalization or other expropriation of private enterprises could have a material adverse effect on our business, results of operations and financial condition. Under its current leadership, the Chinese government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the Chinese government will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice.

We may have limited legal recourse under PRC law if disputes arise under our outsourcing manufacturing arrangements with third parties.

The Chinese government has enacted some laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, their experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. If our outsourcing manufacturing arrangements are unsuccessful or other adverse circumstances arise from these arrangements, we face the risk that our third-party manufacturers may dishonor our purchase orders or unwritten arrangements. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the Chinese government and forces unrelated to the legal merits of a particular matter or dispute may influence their determination. Any rights we may have to specific performance, or to seek an injunction under PRC law, in either of these cases, are severely limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Our potential inability to adequately protect our intellectual property during the outsource manufacturing of our products in China could negatively impact our performance.

Our products are manufactured predominantly in China through third-party outsource manufacturing arrangements. We rely on our third-party manufacturers to implement customary manufacturer safeguards onsite, such as the use of confidentiality agreements with employees, to protect our proprietary information and technologies during the manufacturing process, however, these safeguards may not effectively prevent unauthorized use of such information and technical knowhow or prevent such manufacturers from retaining them. The legal regime governing intellectual property rights in China is relatively weak and it is often difficult to create and enforce intellectual property rights or protect trade secrets there. We face risks that our proprietary information may not be afforded the same protection in China as it is in countries with well-developed intellectual property laws, and local laws may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights in China, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption laws, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations and agreements with third parties worldwide and such activities create the risk of unauthorized payments or offers of payments by the employees, consultants, sales agents or distributors of our Company, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold our Company liable for successor liability in connection with FCPA violations committed by companies in which we invest or that we acquire.

Your ability to bring an action against us, and those of our officers and directors who are based in South Africa, or to enforce a judgment against us or recover assets in our possession may be difficult since any such action or recovery of assets would be an international matter, involving South African laws and geographic and temporal disparities.

We conduct substantial operations in South Africa through our foreign registered branch and a substantial portion of our assets are located outside of the United States. In addition, all but two of our management personnel reside in South Africa. As a result, it may be difficult or impossible for you to bring an action against us or these individuals in the United States in the event that you believe that your rights have been violated under applicable law or otherwise. Even if an action of this type is successfully brought, the laws of the United States and of South Africa may render a judgment unenforceable.

RISKS RELATING TO OUR COMMON STOCK

There is not now, and there may not ever be, an active market for our common stock and we cannot assure you that the common stock will become liquid or that it will be listed on a securities exchange.

There currently is no active market for our common stock. We plan to list our common stock on a national exchange as soon as practicable, however, we cannot assure you that we will be able to meet the initial listing standards of any national exchange, or that we will be able to maintain any such listing. Until our common stock is listed on an exchange, we expect that it would be eligible to continue being quoted in the over-the-counter market maintained by the OTC Markets Group Inc. In this venue, however, an investor may find it difficult to obtain accurate quotations as to the market value of the common stock and trading of our common stock may be extremely sporadic. For example, several days may pass before any shares may be traded. A more active market for the common stock may never develop. In addition, if we failed to meet the criteria set forth in SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling the common stock, which may further affect its liquidity. This would also make it more difficult for us to raise additional capital.

Our holding company structure may limit the payment of dividends.

We have no direct business operations, other than our ownership of our subsidiaries. While we have no immediate intention of paying dividends, should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions as discussed below. If we determine that we will pay dividends to the holders of our common stock, we cannot assure that such dividends will be paid on a timely basis. As a result, you will not receive any return on your investment prior to selling your shares in our company and, for the other reasons discussed in this "Risk Factors" section, you may not receive any return on your investment even when you sell your shares in our company and your shares may become worthless. If future dividends are paid in ZAR, fluctuations in the exchange rate for the conversion of ZAR into U.S. dollars may reduce the amount received by U.S. stockholders upon conversion of the dividend payment into U.S. dollars.

The Company's officers, directors and affiliates collectively have the power to make all major decisions regarding the Company without the need to get consent from any stockholder or other person. This discretion could lead to decisions that are not necessarily in the best interests of minority shareholders.

Our Company's officers, directors and affiliates collectively own 46.16% of our common stock (including our preferred stock which converts on a one-for-one basis to common stock, but vote on a one-for-one hundred basis to common stock). Our officers and directors, therefore, has the power to make all major decisions regarding our affairs, including decisions regarding whether or not to issue stock and for what consideration, whether or not to sell all or substantially all of our assets and for what consideration and whether or not to authorize more stock for issuance or otherwise amend our charter or bylaws. Our officers and directors are in a position to elect all of our directors and to dictate all of our policies.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our corporate headquarters are located in a 948 square meter space located at 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7550. Approximately 15% of the space is used by our finance, legal and operations teams, 50% is used for warehousing and South African distribution, 10% is used by marketing and the remaining 25% is used by Leatt Lab and our research and development team. We occupy these premises pursuant to a lease agreement, dated January 1, 2023, between Leatt SA and AJ Brutus Investments CC, which expires on December 31, 2023. The lease agreement requires us to pay a monthly rent of ZAR76,465 (or $4,505).

We lease extra warehouse space to store inventory located at Unit 2, Stand no. 37, Sycamore Crescent, Atlas Gardens, Durbanville, Western Cape, South Africa, 7550. We occupy these premises pursuant to a lease agreement, dated May 24, 2022, between Leatt SA and FC Rust Theron Inc, which expires on June 30, 2023. The lease agreement requires us to pay a monthly rent of ZAR16,627 (or $980).

We have entered into a new lease agreement for extra warehouse space to store inventory located at Unit 9, 36 Sycamore Crescent, Atlas Gardens, Durbanville, Western Cape, South Africa, 7550. We occupy these premises pursuant to a lease agreement, dated February 24, 2022, between Leatt SA and Montprop Beleggings (Pty) Ltd, which commenced April 1, 2022 and expires on August 31, 2023. The lease agreement requires us to pay a monthly rent of ZAR27,625 (or $1,628) for first eleven months and ZAR29,835 (or $1,758) for the following six months. The rent payable excludes VAT, water, electricity and other associated costs.

Our newly redomiciled Nevada subsidiary, Two Eleven, entered into a Lease Agreement, dated December 14, 2020, with CP Logistics NVCC IV, LLC, to lease warehouse and office space comprising approximately 43,056 square foot in Reno, Nevada. The lease commenced upon the date of substantial completion of the landlord's work, as defined in the Lease Agreement, August 2, 2021, and the term will continue for a period of sixty-six (66) months from such commencement date, subject to renewal, at Two Eleven's option, for an additional five (5) year term. The rent payable from the 3rd month following the commencement date through to the 14th month will be $21,959 and thereafter the rent payable will escalate in subsequent months in accordance with the terms of the Lease Agreement, up to a monthly payment of $25,455 in the 63rd through 66th month. The rent payable will exclude other associated costs, such as real estate taxes, association dues, insurance and other fees.

We also lease extra warehouse space from time to time to store inventory. These agreements are on a month-to-month basis and vary during the year.

We believe that all premises used by the Company and its subsidiaries are in good condition, and that the property located there are adequately insured.

ITEM 3. LEGAL PROCEEDINGS.

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

On April 3, 2018, a wrongful death lawsuit was filed against the Company in Superior Court of California, Imperial County, and subsequently removed to USDC San Diego. The claims asserted included strict liability, negligence, failure to warn, and breach of implied and express warranties. After facing a vigorous defense, the plaintiffs agreed to a confidential settlement dismissing all claims against the Company. The Court granted a final dismissal order on August 18, 2022.

ITEM 4. MINING SAFETY DISCLOSURES.

Not Applicable.

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 on the *QB* tier of the over-the-counter electronic bulletin board maintained by the OTC Markets Group Inc. under the symbol LEAT. The CUSIP number for our common stock is 522132 10 9.

The following table sets forth, for the periods indicated, the high and low closing prices of our common stock as reported by Yahoo Finance at https://finance.yahoo.com for the periods indicated. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	Closing Prices	
	High	**Low**
Year Ended December 31, 2023		
1st Quarter (January 1, 2023 to March 20, 2023)	$ 19.25	$ 16.70
Year Ended December 31, 2022		
1st Quarter	$ 32.50	$ 22.72
2nd Quarter	$ 28.75	$ 20.03
3rd Quarter	$ 26.95	$ 19.45
4th Quarter	$ 21.20	$ 18.00
Year Ended December 31, 2021		
1st Quarter	$ 13.50	$ 6.66
2nd Quarter	$ 19.05	$ 13.40
3rd Quarter	$ 27.60	$ 16.85
4th Quarter	$ 33.90	$ 23.00

Holders

As of March 20, 2022, there were approximately 155 stockholders of record of our common stock. The number of record holders does not include persons who held our common stock in nominee or "street name" accounts through brokers.

Dividend Policy

We have never declared dividends or paid cash dividends. Our board of directors will make any future decisions regarding dividends. We currently intend to retain a significant majority of current and future earnings for the development and expansion of our business.

Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

Our officers and directors are eligible for equity awards in the form of stock options and restricted stock under the Leatt Corporation Amended and Restated 2011 Equity Incentive Plan (the "2011 Plan"), pursuant to which the Company is authorized to issue and sell up to 1,320,000 shares of common stock of the Company, par value $0.001 per share. Equity awards under the 2011 Plan are granted at the discretion of the Board. The size of an award to any individual, including named executive officers, depends in part on individual performance, including the components of our key performance appraisal index described above and any other indicators of the impact that such employee's productivity may have on stockholder value over time. Other factors include salary level and competitive data. In addition, in determining the awards granted to each named executive officer, the Board considers the future benefits potentially available to the named executive officers from existing awards. We have no program, plan or practice of granting equity awards that coincide with the release by the Company of material non-public information.

The following table includes the information as of December 31, 2022 for each category of our equity compensation plan.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	$ 1.00	
	52,000	$ 2.60	191,400
	52,000	$ 1.60	
	117,000	$ 2.30	
Equity compensation plans not approved by security holders	0	--	0
Total	221,000	--	

Recent Sales of Unregistered Securities

We have not sold any equity securities during 2022 that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the period.

Purchases of Equity Securities

No repurchases of our common stock were made during the fourth quarter of 2022.

ITEM 6. SELECTED FINANCIAL DATA.

Not Applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following management's discussion and analysis should be read in conjunction with our financial statements and the notes thereto and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion contains certain forward-looking information. See "Special Note Regarding Forward Looking Statements" above Part I, for certain information concerning those forward-looking statements. Our financial statements are prepared in U.S. dollars and in accordance with U.S. GAAP.

Overview of our Business

We were incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. We were a shell company with little or no operations until March 1, 2006, when we acquired the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company controlled by the Company's Chairman and founder, Dr. Christopher Leatt. On May 25, 2005, we changed our name to Leatt Corporation in connection with our anticipated acquisition of the Leatt-Brace® rights. Leatt designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs. The Company sells its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by other international brands.

The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment using this technology, as well as its own developed technology, including the Company's new body protection products which it markets under the Leatt Protection Range brand.

The Company's research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 3 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063. For the UK market our motorcycle helmets comply with ACU Gold and our Moto 3.5 helmet with JIS T 8133 for the Japanese Market. For the Brazilian market our Moto 7.5 and Moto 3.5 helmets comply with NBR 7471.

Our products are predominately manufactured in China in accordance with our manufacturing specifications, pursuant to outsourced manufacturing arrangements with third-party manufacturers located there, based on agreed terms. We are also building manufacturing capacity outside China, namely, in Thailand and Bangladesh. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products sold to our international customers are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 56 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to dealers in the United States and South Africa, respectively.

Principal Factors Affecting Our Financial Performance

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

- ***Global Economic Fragility*** - The ongoing turmoil in the global economy, especially in the U.S., Asia and Europe, may have an impact on our business and our financial condition if economic conditions do not improve. We sell our products through a global network of distributors and dealers who may have difficulty clearing elevated multi-brand stock, previously ordered in response to industry wide supply chain challenges, which in turn could slow new orders and affect our financial performance. If our customers were to experience prolonged slow growth or recession as a result of these conditions or otherwise, we could see a drop-in demand for our products and potentially difficulty in collecting accounts receivables.
- ***Trade Restrictions*** - We engage in international manufacturing and sales which exposes us to trade restrictions and disruptions that could harm our business and competitive position. Most of our products are manufactured in China, and the U.S. administration has announced tariffs on certain products imported into the United States with China as the country of origin. While these tariffs have not had a significant impact on the shipment of our products to international markets as at December 2022, we believe that the future imposition of, or significant increases in, the level of tariffs, custom duties, export quotas and other barriers and restrictions by the U.S. on China or other countries could disrupt our supply chain, increase the cost of our raw materials and therefore our pricing, and impose the burdens of compliance with foreign trade laws, any of which could potentially affect our bottom line and sales. While we are in continuous discussions with our manufacturers to ensure there are contingencies in place, we cannot assure you that we will not be adversely affected by changes in the trade laws of foreign jurisdictions where we sell and seek to sell our products.
- ***Fuel Prices -*** Significant fluctuations in fuel prices could have both a positive and negative effect on our business and operations. A significant portion of our revenue is derived from international sales and significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers. On the other hand, fluctuations in fuel prices lead to higher commuter costs which may encourage the increased use of motorcycles and bicycles as alternative modes of transportation and lead to an increase in the market for our protection products.

- ***Product Liability Litigation*** - We face an inherent business risk of exposure to product liability claims arising from the claimed failure of our products to help prevent the types of personal injury or death against which they are designed to help protect. Therefore, we have acquired very costly product liability insurance worldwide. We have not experienced any material uninsured losses due to product liability claims, but it is possible that we could experience material losses in the future. After a two-week trial in the United States District Court for the Northern District of Ohio (Eastern) ending on April 17, 2014, a federal jury returned a defense verdict for the Company in the first Leatt-Brace® product liability lawsuit to be tried in the United States. The plaintiffs in that case had alleged that defective product design and failure to warn had caused a motocross rider to suffer multiple mid-thoracic spine fractures, causing immediate and permanent paraplegia, when he crashed at a relatively low speed on February 13, 2011. When the accident occurred, he was wearing a helmet and other safety gear from several different companies, including the Company's acclaimed Leatt-Brace®. The Company produced evidence at trial showing that his thoracic paraplegia was an unavoidable consequence of his fall, not the result of wearing a Leatt-Brace®, and that the neck brace likely saved his life (or saved him from quadriplegia) by preventing cervical spine injury. The Company had maintained from the onset that this and a small handful of other lawsuits are without merit and that it would vigorously defend itself in each case. In this case, the plaintiffs subsequently appealed the court's decision, and the parties reached an amicable settlement. Although we carry product liability insurance, a successful claim brought against us could significantly harm our business and financial condition and have an adverse impact on our ability to renew our product liability insurance or secure new coverage.

- ***Protection of Intellectual Property*** - We believe that the continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be. From time to time, we have had to enforce our intellectual property rights through litigation, and we may be required to do so in the future. Such litigation may result in substantial costs and could divert resources and management attention from the operations of our business.

- ***Fluctuations in Foreign Currencies*** - We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these currencies into U.S. dollars when we consolidate our financial results. While our reporting currency is the U.S. Dollar, a portion of our consolidated revenues are denominated in South African Rand, or ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. If the ZAR depreciates against the U.S. Dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk. Furthermore, since 77% of our sales are derived outside the U.S., where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.

- ***Natural or Man-made Catastrophic Events*** - We are exposed to natural or man-made catastrophic events that may disrupt our business and may reduce consumer demand for our products. A disruption or failure of our systems or operations in the event of a natural disaster, health pandemic, such as the outbreak and global spread of COVID-19 or the coronavirus, or a man-made catastrophic event could cause delays in completing sales, continuing production or performing other critical functions of our business, particularly if a catastrophic event occurred at our primary manufacturing locations or our distributor locations worldwide. Any of these events could severely affect our ability to conduct normal business operations and, as a result, our operating results could be adversely affected. There may also be secondary impacts that are unforeseeable, such as impacts on our consumers and on consumer purchasing behavior, which could cause delays in new orders, delays in completing sales or even order cancellations. As the COVID-19 pandemic continues to evolve, we believe the extent of the impact to our operations will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic. Due to strong consumer demand for outdoor product categories since the initial stages of the pandemic, we did not see any significant material negative impact of COVID-19 on the Company's results of operations for the year ended December 31, 2022. We remain cautiously optimistic that ongoing efforts to increase the availability of new COVID-19 vaccines worldwide will mitigate the spread of the virus throughout Europe and the U.S. (our largest markets) and bring about an end to global quarantines. The COVID-19 pandemic had an adverse impact on global shipping and supply chains which caused a disruption in our customers ordering patterns and ultimately inflated certain industry wide stock levels. This was further compounded by the global economic slowdown experienced worldwide due to a high inflationary environment and geo-political instability. The occurrence of any other catastrophic events could have a negative impact on our sales revenue for the coming periods and beyond.

- ***Conflict in Ukraine*** - We are exposed to conflicts that may disrupt our business and may reduce consumer demand for our products. A disruption or failure of our systems, government sanctions or operations in the event of a conflict could directly affect consumer demand for our products, cause delays in completing sales, shipping of our products, continuing production or performing other critical functions of our business, particularly if a conflict occurs at our primary manufacturing locations or our distributor locations worldwide. Furthermore, a prolonged conflict may have unintended global consequences such as increased inflation, fuel and transportation costs. While we have conducted due diligence on our customers in Russia to ensure that they do not fall into any sanctioned categories, we have seen a delay in the receipt of receivables in our bank account from the distributors of our products in Russia caused by enhanced screening of Russian funds in compliance with global sanctions against Russia for the war in Ukraine. The prolonging or expansion of the conflict could have an adverse impact on our consumers and on consumer purchasing behavior, and result in delays of new orders and completing sales, order cancellations, or payment and shipping delays. We will continue to monitor this fluid situation and any adverse impact that it may have on the global economy in general and on our business operations and especially that of our customers in particular, and we will develop contingencies as necessary to address any disruptions to our business operations as they arise.
- ***Rising Freight Shipping and Logistics Costs*** - The economic disruption resulting from the COVID-19 pandemic has had an adverse impact on the global freight shipping industry and on the cost of shipping our products to our global network of distributors, dealers and customers, or their import agents, from warehouses in China. Over the past year, the strong rise in demand for Chinese exports has outpaced the availability of containers in Asia, creating a container shortage and huge backlogs in many freight markets around the world, including the U.S., the Middle East, and East Asia. These container shortages at Asian ports have exacerbated supply bottlenecks and further increased shipping costs, by up to 400% in some regions, as companies in Asia are reported to be paying premium rates to get containers back. Further compounding matters is the shortage of dockworkers and truck drivers available to load and unload containers at ports in Europe and the U.S. and to move them to other locations, resulting in congested ports. We are working closely with our supply chain management in Asia, our logistics service providers, and our freight forwarders, to streamline our global shipping and logistics processes, to mitigate any disruption to our operations. Continued disruption and pricing volatility in the global shipping and logistics industry could have a negative impact on our results of operations for the coming periods and beyond.

Results of Operations

Year ended December 31, 2022, compared to the year ended December 31, 2021

The following table summarizes the results of our operations during the years ended December 31, 2022 and 2021 and provides information regarding the dollar and percentage of year-over-year increase or (decrease).

Item	Fiscal Year Ended December 31, 2022	2021	Increase (Decrease)	Percentage Increase (Decrease)
REVENUES	$76,335,539	$72,475,813	$ 3,859,726	5%
COST OF REVENUES	45,202,712	41,029,710	$ 4,173,002	10%
GROSS PROFIT	31,132,827	31,446,103	$ (313,276)	-1%
PRODUCT ROYALTY INCOME	240,044	182,698	$ 57,346	31%
OPERATING EXPENSES				
Salaries and Wages	6,148,179	5,003,640	$ 1,144,539	23%
Commissions and Consulting	563,689	812,097	$ (248,408)	-31%
Professional Fees	586,474	1,072,912	$ (486,438)	-45%
Advertising and Marketing	3,342,791	2,170,788	$ 1,172,003	54%
Office Lease and Expenses	689,068	428,608	$ 260,460	61%
Research and Development Costs	2,179,996	1,826,846	$ 353,150	19%
Bad Debt Expense	474,019	222,250	$ 251,769	113%
General and Administrative	3,273,346	2,450,376	$ 822,970	34%
Depreciation	1,098,433	1,025,536	$ 72,897	7%
Total Operating Expenses	18,355,995	15,013,053	$ 3,342,942	22%
INCOME FROM OPERATIONS	13,016,876	16,615,748	$(3,598,872)	-22%
Other Expenses	(13,550)	(163)	$ (13,387)	-8213%
INCOME BEOFRE INCOME TAXES	13,003,326	16,615,585	$(3,612,259)	-22%
Income Taxes	3,042,873	4,041,148	$ (998,275)	-25%
NET INCOME	$ 9,960,453	$12,574,437	$(2,613,984)	-21%

Revenues - We earn revenues from the sale of our protective gear comprising of neck braces, body armor, helmets and other products, parts and accessories both in the United States and abroad. Revenues for the year ended December 31, 2022 were $76.34 million, a 5% increase, compared to revenues of $72.48 million for the year ended December 31, 2021. This increase in global revenues is attributable to a $5.44 million increase in helmet sales and a $3.84 million increase in sales of other products, parts and accessories, that were partially offset by a $3.05 million decrease in neck braces sales and a $2.37 million decrease in body armor sales, during the year ended December 31, 2022. Revenues associated with international customers for the years ended December 31, 2022 and 2021, respectively were $59.02 million and $52.34 million, or 77% and 72% of global revenues.

The following table sets forth our revenues by product line for the years ended December 31, 2022 and 2021:

	Year Ended December 31,			
	2022	% of Revenues	2021	% of Revenues
Neck braces	$ 5,389,672	7%	$ 8,443,610	12%
Body armor	38,864,312	51%	41,229,569	57%
Helmets	14,477,472	19%	9,040,265	12%
Other products, parts and accessories	17,604,083	23%	13,762,369	19%
	$76,335,539	100%	$72,475,813	100%

Sales of our flagship neck brace accounted for $5.39 million and $8.44 million, or 7% and 12% of our revenues for the years ended December 31, 2022 and 2021, respectively. The 36% decrease in neck brace revenues was primarily due to a 37% decrease in the volume of neck braces sold to our customers worldwide during the 2022 period, when compared to the 2021 period, which was a particularly strong quarter for neck brace sales. Neck brace volumes sold for the year ended December 31, 2021 had increased by 71% over the prior year period.

Our body armor products are comprised of chest protectors, full upper body protectors, upper body protection vests, back protectors, knee braces, knee and elbow guards, off-road motorcycle boots and mountain biking shoes. Body armor revenues accounted for $38.86 million and $41.23 million, or 51% and 57% of our revenues for the years ended December 31, 2022 and 2021, respectively. Although our footwear category consisting of off-road motorcycle boots and mountain biking shoes continued to show encouraging growth with sales volumes increasing by 19%, there was a 6% decrease in body armor revenues from the prior year period, primarily due to a 18% decrease in upper body armor revenues during the 2022 period, when compared to the 2021 period, which was an exceptionally strong period for upper body armor sales. Upper body armor revenues for the year ended December, 31 2021 had increased by 76% when compared to the prior year period.

Our helmets accounted for $14.48 million and $9.04 million, or 19% and 12% of our revenues for the years ended December 31, 2022 and 2021, respectively. The 60% increase in helmet revenues is primarily due to continued strong demand for the Company's expanding and award-winning MTB helmet line up and continued shipping of our redesigned MOTO helmet offering for off-road motorcycle use worldwide.

Our other products, parts and accessories are comprised of goggles, hydrations bags and apparel items including jerseys, pants, shorts and jackets as well as aftermarket support items required primarily to replace worn or damaged parts through our global distribution network. Other products, parts and accessories sales accounted for $17.60 million and $13.76 million, or 23% and 19% of our revenues for the years ended December 31, 2022 and 2021, respectively. The 28% increase in revenues of other products, parts and accessories is primarily due to continued strong demand for our line of technical apparel designed for off-road motorcycle and mountain biking use. Apparel sales volumes increased by 35% for the period ending December 31, 2022, when compared to the prior year period.

*Costs of Revenues and Gross Profi*t - Cost of revenues for the years ended December 31, 2022 and 2021 were $45.20 million and $41.03 million, respectively. Gross Profit for the years ended December 31, 2022 and 2021 were $31.13 million or 41% of revenues, and $31.45 million or 43% of revenues, respectively. Our neck brace products continue to generate a higher gross margin than our other product categories. Neck brace revenues accounted for 7% and 12% of our revenues for the years ended December 31, 2022 and 2021, respectively. Additionally, revenues associated with international customers were 77% and 72% of our revenues for the twelve months ended December 31, 2022 and 2021, respectively, with revenues associated with international distributors continuing to generate a lower gross profit as a percentage of revenues than direct dealer sales in the United States.

Product Royalty Income - Product royalty income is earned on sales to distributors that have royalty agreements in place as well as sales of licensed products by third parties that have licensing agreements in place. Product royalty income for the years ended December 31, 2022 and 2021 were $240,044 and $182,698, respectively. The 31% increase in product royalty income is primarily due to an increase in the sale of licensed products by licensees during the 2022 period.

Salaries and Wages - Salaries and wages for the years ended December 31, 2022 and 2021 were $6,148,179 and $5,003,640, respectively. This 23% increase in salaries and wages during the 2022 period was primarily due to the employment of new marketing, sales and business development personnel in North America, Europe and Oceania as the Company continues to build a global regional team of sales and brand management professionals.

Commissions and Consulting Expense - Commissions and consulting expense for the years ended December 31, 2022 and 2021 were $563,689 and $812,097, respectively. This 31% decrease in commissions and consulting expenses during the 2022 period is primarily due to a decrease in commissions and performance incentives paid to both employee and external sales personnel and management in the United States in line with the decrease in sales revenues and continued employment of in-house employee sales personnel in the region during the 2022 period.

Professional Fees - Professional fees consist of costs incurred for audit, tax, regulatory filings and quarterly reporting requirements, as well as patent maintenance, protection and litigation expenses and settlement costs incurred as the Company continues to expand its portfolio of exceptional protective gear. Professional fees for the years ended December 31, 2022 and 2021 were $586,474 and $1,072,912, respectively. The 45% decrease in professional fees is primarily due to a decrease in spending on product liability litigation and associated costs during the 2022 period.

Advertising and Marketing - The Company places paid advertising in various motorsport and bicycle magazines and online media, and sponsors a number of events, teams and individuals to increase brand and product visibility globally. Advertising and marketing expenses for the years ended December 31, 2022 and 2021 were $3,342,791 and $2,170,788, respectively. This 54%, increase in advertising and marketing expenditure is in line with the continued production and implementation of global marketing campaigns that incorporate high caliber athlete sponsorships, industry trade show and event attendance and coordinated global advertising activities undertaken with the support of our distribution partners and designed to market the Company's growing product offering and increase global consumer brand engagement.

Office Lease and Expenses - Office lease and expenses for the years ended December 31, 2022 and 2021 were $689,068 and $428,608, respectively. The 61% increase in office lease and expenses is primarily due to the Company's continued expansion of space in its Reno, Nevada warehousing facility in response to the Company's need for additional distribution capacity and warehousing space as it expands its product offering and dealer presence throughout the United States.

Research and Development Costs - These costs include the salaries of staff members that are directly involved in the research and development of protective gear, as well as the direct costs associated with developing these products. Research and development costs for the years ended December 31, 2022 and 2021 were $2,179,996 and $1,826,846, respectively. This 19% increase in research and development costs during the 2022 period is primarily the result of the employment of product development, engineering, design and manufacturing professionals with industry competence in order to continue the refinement of our product categories and expansion of our pipeline of cutting-edge products.

Bad Debt Expense - Bad debt expense for the years ended December 31, 2022 and 2021 were $474,019 and $222,250, respectively. This 113% increase in bad debt expense is primarily due to an increase in the provision for doubtful accounts during the 2022 period, in line with an increase in accounts receivable balances owing by our international distribution customers at December 31, 2022, when compared to December 31, 2021.

General and Administrative Expenses - General and administrative costs consist of insurance, travel, merchant fees, communication costs, office and computer equipment with insurance and travel comprising a substantial part of these expenses. General and administrative expenses for the years ended December 31, 2022 and 2021, were $3,273,346 and $2,450,376, respectively. The 34% increase in general and administrative expenses is primarily due to an increase in product liability, and general risk insurance premiums paid during the 2022 period. Additionally, travel expenditure globally increased in line with a relaxation of COVID-19 related travel restrictions and an increase in marketing, tradeshow and sales activation travel.

Depreciation Expense - Depreciation expense for the years ended December 31, 2022 and 2021 was $1,098,433 and $1,025,536, respectively. The 7% increase in depreciation expense is primarily due to the addition of warehouse racking and inventory management equipment at the Company's expanded Reno, Nevada warehouse to support our expanding product line, and to upgrades of the Company's direct-to-consumer and business-to-business web platforms in order to facilitate sales growth and efficiency.

Total Operating Expenses - Total operating expenses increased by $3,342,942 to $18,355,995 for the year ended December 31, 2022 or 22%, from $15,013,053 in the 2021 period. This increase during the 2022 period is primarily due to increased expenditures on salaries, general and administrative expenses, research and development, and on advertising and marketing costs that were partially offset by decreases in professional fees incurred and commissions paid during the period.

Other Expenses - Other expenses for the years ended December 31, 2022 and 2021 was $13,550 and $163, respectively. The increase in other expenses is primarily due to interest paid on debt during the 2022 period.

Net Income - The net income after income taxes for the year ended December 31, 2022 was $9,960,453, a decrease of $2,613,984, when compared to a net income after income taxes of $12,574,437. This 21% decrease in net income is primarily due to the 22% increase in operating costs discussed above.

Liquidity and Capital Resources

At December 31, 2022, we had cash and cash equivalents of $7.10 million, compared to cash and cash equivalents of $5.02 million and short-term investments of $0.06 million at December 31, 2021. The following table sets forth a summary of our cash flows for the periods indicated:

	December 31,	
	2022	**2021**
Net cash provided by operating activities	$ 3,086,982	$ 2,782,410
Net cash used in investing activities	$(1,042,442)	$(1,137,337)
Net cash provided by financing activities	$ 288,817	$ 595,943
Effect of exchange rate changes on cash and cash equivalents	$ (252,848)	$ (185,622)
Net increase in cash and cash equivalents	$ 2,080,509	$ 2,055,394
Cash and cash equivalents at the beginning of period	$ 5,022,436	$ 2,967,042
Cash and cash equivalents at the end of period	$ 7,102,945	$ 5,022,436

Cash increased by $2,080,509 or 41%, for the year ended December 31, 2022. The primary sources of cash during 2022 were a net income of $9,960,453, a decrease in prepaid expenses and other current assets of $1,300,315, a decrease in payments in advance of $563,503, and an increase in income taxes payable of $643,882. The primary uses of cash during calendar year 2022 were a decrease in accounts payable of $8,606,281, an increase in accounts receivable of $630,698, an increase in deferred asset of $1,121,886, an increase in inventory of $1,712,870, and increased capital expenditures of $1,144,173, relating primarily to the commissioning of moulds and tooling that will be used in the production of the Company's expanding product range.

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

Obligations under Material Contracts

Pursuant to our Licensing Agreement with Xceed Holdings, a company controlled by Dr. Christopher Leatt, our founder, chairman and head of research and development, we pay Xceed Holdings 4% of all neck brace sales revenue billed and received by the Company on a quarterly basis based on sales of the previous quarter. During the years ended December 30, 2022 and 2021, the Company paid an aggregate of $243,822 and $327,729, in licensing fees to Xceed Holdings. In addition, pursuant to a separate license agreement between the Company and Mr. J. P. De Villiers, our former director, the Company is obligated to pay a royalty fee of 1% of all our billed and received neck brace sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. During the years ended December 31, 2022 and 2021, the Company paid an aggregate of $60,957 and $81,920, in licensing fees to Mr. De Villiers.

From May 15, 2015 through October 31, 2021, the Company was party to a consulting agreement, dated July 8, 2015, between the Company and Innovate Services Limited, or Innovate, a Seychelles limited company in which Dr. Leatt is an indirect beneficiary, pursuant to which, as amended, Innovate served as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided that Dr. Leatt personally performs the services to be performed by Innovate under the agreement. Either party had the right to terminate the agreement for convenience, upon six months' prior written notice, or by the Company immediately without notice in the event of Innovate's breach of an obligation under the contract or if Dr. Leatt could no longer perform the services. On November 8, 2021, the Company terminated the agreement with Innovate, effective October 31, 2021, in connection with the wind-up of Innovate's business operations. The termination of the agreement with Innovate will not have an adverse effect on the Company's research and development operations as the Company simultaneously entered into a new consulting agreement with Innovation Services Limited, Jersey limited company beneficially owned by Dr. Leatt, for the same research, development and marketing services, and on substantially the same terms and conditions as the terminated agreement. During the years ended December 31, 2022 and 2021, the Company recognized an aggregate of $0 and $422,330, respectively, in consulting fees to Innovate.

On November 8, 2021, the Company entered into a consulting agreement with Innovation Services Limited, a Jersey limited company in which, Dr. Christopher Leatt, the Company's founder and chairman, is an indirect beneficiary. Pursuant to the terms of the agreement, Innovation has agreed to serve as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided, however, that Dr. Leatt must remain an Innovation director and beneficiary of a majority of its ownership interests during the term of the agreement, and Dr. Leatt must remain the Company's primary point of contact responsible for the oversight, review and delivery of the services to be performed by Innovation under the agreement. Innovation may increase its monthly fees, on an annual basis, by no greater than the lesser of: (a) two and one-half percent (2.5%) of the prior year's annualized fee; or (b) a percentage equal to then-applicable annual percentage increase in the Consumer Price Index (CPI) published by the United States Department of Labor's bureau of labor statistics, plus one-half percent (0.5%). The parties further agreed that all intellectual property generated in connection with the services provided under the consulting agreement will be the sole property of the Company. The consulting agreement was effective as of November 1, 2021, and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the consulting agreement upon 6 months' prior written notice, except that the consulting agreement may be terminated by the Company immediately without notice if the services to be performed by Innovation cease to be performed by Dr. Leatt, if beneficial ownership in Innovation by Dr. Leatt's and his immediate family members decreases, or for any other material breach of the agreement. The parties have agreed to settle any dispute under the consulting agreement by submission to JAMS for final and binding arbitration pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules. The Company also simultaneously entered into a side letter agreement, dated November 8, 2021, with Dr. Leatt, pursuant to which Dr. Leatt agreed, among other things: (1) not to perform services similar to the services provided under the agreement for any current or future, direct or indirect competitor of the Company or any similar company; (2) not to solicit any current or future employees of the Company for employment with Innovation or any other entity with which he may become affiliated, or to contact or solicit any current or future stockholder or investor of the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company; and (3) that he will apprise the Company of any business opportunity that he becomes aware of that could benefit the Company so that the Company, can in its sole discretion, make a determination regarding whether to pursue such opportunity in the best interest of the Company and its stockholders. Dr. Leatt further agreed to continue dedicating a majority of his time on matters related to performance of his duties as a director of the Company and to the fulfillment of his obligations to the Company's research and development efforts under the consulting agreement, and the Company will have the right to adjust the amount of the fees payable under the consulting agreement to the extent of any substantial diminution in his fulfillment of such duties and obligations. The foregoing description of the Consulting Agreement and Side Letter Agreement is qualified in its entirety by reference to the Consulting Agreement and the Side Letter Agreement, copies of which are filed as Exhibits 10.1 and 10.2, respectively, hereto and are incorporated by reference in this report. During the years ended December 31, 2022 and 2021, the Company recognized an aggregate of $519,468 and $84,466, respectively, in consulting fees to Innovation.

Pursuant to a Premium Finance Agreement, dated May 27, 2022, between the Company and Aon Premium Finance, LLC, or APF, the Company is obligated to pay APF an aggregate sum of $80,233 in eleven monthly payments on a sliding scale, as follows, $37,381, $37,381, $1,172, $1,172, $1,172 and thereafter six payments of $326, at a 6.360% annual interest rate, commencing on June 1, 2022 and ending on April 1, 2023. Any late payment during the term of the agreement would be assessed a late penalty of 5% of the payment amount due, and in the event of default APF has the right to accelerate the payment due under the agreement. As of December 31, 2022, the Company had not defaulted on its payment obligations under this agreement.

Pursuant to a Premium Finance Agreement, dated September 20, 2022, between the Company and Aon Premium Finance, the Company is obligated to pay APF an aggregate sum of $138,470 in seven payments of $19,781, at a 6.360% annual interest rate, commencing on October 1, 2022 and ending on April 1, 2023. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default APF has the right to accelerate the payment due under the agreement. As of December 31, 2022, the Company had not defaulted on its payment obligations under this agreement.

Pursuant to a Premium Finance Agreement, dated October 25, 2022, between the Company and Aon Premium Finance, the Company is obligated to pay APF an aggregate sum of $1,235,372 in ten payments of $123,537, at a 8.250% annual interest rate, commencing on December 1, 2022 and ending on September 1, 2023. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default APF has the right to accelerate the payment due under the agreement. As of December 31, 2022, the Company had not defaulted on its payment obligations under this agreement.

Pursuant to a Premium Finance Agreement, dated November 22, 2022, between the Company and Aon Premium Finance, the Company is obligated to pay APF an aggregate sum of $32,451 in ten payments of $3,369, at a 8.250% annual interest rate, commencing on December 1, 2022 and ending on September 1, 2023. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default APF has the right to accelerate the payment due under the agreement. As of December 31, 2022, the Company had not defaulted on its payment obligations under this agreement.

On November 19, 2018, the Company entered into a $1,000,000 revolving line of credit agreement with a bank. Payments for the advances under the line bear interest at the LIBOR Daily Floating Rate plus 2.5 percentage points commencing January 1, 2019. The line of credit matured on November 19, 2020, at which time the unpaid principal, interest, or other charges outstanding under the agreement are due and payable. On November 5, 2020, the Company executed an amendment to the line of credit to extend the line of credit facility through November 19, 2021. The amendment took retroactive effect to October 27, 2020 and introduced an index floor so that payments for any future advances will bear interest at the greater of the LIBOR Daily Floating Rate or an Index Floor of 1.25 percentage points plus 2.5 percentage points. Obligations under the line of credit are secured by equipment and fixtures in the United States of America, accounts receivable and inventory of Leatt Corporation and Two-Eleven Distribution, LLC. On March 1, 2021, we executed a second amendment to the line of credit. The amendment took retroactive effect to February 17, 2021, extended the line of credit facility through February 28, 2022 and increased the revolving line of credit to $1,500,000. Effective January 21, 2022, the Company executed an amendment to the line of credit to extend the line of credit facility through February 29, 2023 and to replace interest determined by LIBOR Daily Floating Rate with the Bloomberg Short-Term Bank Yield Index rate. Effective January 20, 2023, the Company executed an amendment to the line of credit to extend the line of credit facility through February 29, 2024. As of December 31, 2022, there were no advances of the line of credit leaving $1,500,000 of the line of credit available for advance.

On December 29, 2021, Two Eleven entered into a Loan and Security agreement with a bank, effective December 17, 2021, to finance equipment. The Equipment Note financed under the Loan and Security Agreement has a total value of $272,519, payable in 36 consecutive monthly installments commencing February 5, 2022, and continuing to January 5, 2025. Interest shall accrue on the entire principal amount of this Equipment Note outstanding from time to time at a fixed rate of 3.5370% per annum. The principal and interest amount of each payment shall be $7,990. As of December 31, 2022, and 2021, respectively, $192,291 and $272,519 of the Equipment Note was outstanding.

On December 20, 2022, Two Eleven entered into a Loan and Security Agreement with a bank, effective December 1, 2022, to finance certain equipment owned by Two Eleven. The note issued under the agreement, the Equipment Note, has a total value of $58,075, payable by Two Eleven in 36 consecutive monthly installments, commencing on February 5, 2023, and continuing through to January 5, 2026. Interest will accrue on the entire principal amount of the Equipment Note outstanding from time to time at a fixed rate of 7.8581% per annum, and the principal and interest amount of each installment payment will be $1,816. As of December 31, 2022, all $58,075 of the Equipment Note was outstanding.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. We have identified the following as the items that require the most significant judgment and often involve complex estimation: revenue recognition, estimating allowances for doubtful accounts receivable, inventory valuation, impairment of long-lived assets, leases and accounting for income taxes.

Revenue and Cost Recognition - The Company recognizes revenue in accordance with ASC 606 “Revenues from Contracts with Customers”. As such the Company has and will continue to review its performance obligations in terms of material customer contractual arrangements in order to verify that revenue is recognized when performance obligations are satisfied on a periodic basis.

All manufacturing of Leatt products is performed by third party subcontractors that are predominately based in China.

The Company’s products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area or where consumers choose to purchase directly via the Company’s e-commerce website (collectively the “customers”).

Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect where no exchange of product is possible. Revenues are recognized when our performance obligations are satisfied as evidenced by transfer of control of promised goods to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Product royalty income, representing less than 1% of total revenues, is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

Our standard distributor payment terms range from pre-payment in full to sixty (60) days after shipment and subsequent sales of our products by distributors have no effect on the amount and timing of payments due to us, however, in limited instances, qualified distributors and dealers may be granted extended payment terms during selected order periods. In performing such evaluations, the Company utilizes historical experience, sales performance, and credit risk requirements. Furthermore, products purchased by distributors may not be returned to the Company in the event that any such distributor relationship is terminated.

Since the Company (through its wholly-owned subsidiary) serves as the distributor of Leatt products in the United States, the Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the dealer or to the ultimate consumer when there is no dealer in the geographic area or the consumer chooses to purchase directly from the Company's e-commerce website and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer. The Company's standard terms and conditions of sale for non-consumer direct or web-based sales do not allow for product returns other than under warranty.

Sales totaling $2,509,534 were deferred as all the requirements to have a contract with the customer in accordance with ASC 606 had not been met as of December 31, 2022. The shipped goods associated with these deferred sales are included in the caption deferred asset, net of an allowance for potential loss of $105,071.

International sales (other than in the United States and South Africa) are generally drop-shipped directly from our consolidation warehouse or third-party manufacturer to the international distributors. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point, Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned and exchanged due to product quality issues. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products. Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

The Company reviews the reserves for customer returns at each reporting period and adjusts them to reflect data available at that time. To estimate reserves for returns, the Company estimates the expected returns and claims based on historical rates as well as events and circumstances that indicate changes to historical rates of product returns and claims. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. The provision for estimated returns at December 31, 2022 and 2021 were $0 and $0, respectively.

Sales commissions are expensed when incurred, which is generally at the time of sale or cash received from customers, because the amortization period would have been one year or less. These costs are recorded in commissions and consulting expenses within operating expenses in the accompanying consolidated statements of operations and comprehensive income.

Shipping and handling activities associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a fulfilment cost and are included in revenues and cost of revenues in the accompanying consolidated statements of operations and comprehensive income.

Revenue recognized from contracts with customers is recorded net of sales taxes, value added taxes, or similar taxes that are collected on behalf of local taxing authorities.

Allowance for Doubtful Accounts Receivable - Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. We continuously monitor collections and payments from customers and maintains an allowance for doubtful accounts receivable based upon the expected credit lossess determined utilizing historical experience and any specific customer collection issues that have been identified. In determining the amount of the allowance, we are required to make certain estimates and assumptions. Accounts receivable balances that are still outstanding after we have used reasonable collection efforts are written off as uncollectible. While such credit losses have historically been minimal, within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of any of our significant customers could have a material adverse effect on the collectability of our accounts receivable and our future operating results. The allowance for doubtful accounts at December 31, 2022 was $743,621 and at December 31, 2021 was $291,584.

Inventory Valuation - Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, we make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, we utilize historical experience as well as current market information. The reserve for obsolescence at December 31, 2022 was $105,072 and at December 31, 2021 was $116,183.

Impairment of Long-Lived Assets - Our long-lived assets include property and equipment. We evaluate our long-lived assets for recoverability whenever events or changes in circumstances indicate that an asset may be impaired. In evaluating an asset for recoverability, we estimate the future cash flow expected to result from the use of the asset and eventual disposition. If the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair value of the asset, is recognized. We have determined there were no impairment charges during the years ended December 31, 2022 and 2021.

Operating Leases - The Company determines if an arrangement is a lease at contract inception. Operating leases are included in the right-of-use assets ("ROU''), and lease liability obligations are included in the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset of the lease term and lease liability obligations represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. As the Company's leases typically do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives and lease direct costs. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

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

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the respective dates of adoption, or expected adoption and effects on our consolidated financial position, results of operations and cash flows.

Off-Balance Sheet Arrangements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Some of our operations are carried out in the Republic of South Africa, or RSA, and we are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. Accordingly, our business, financial condition and results of operations may be influenced by the political, economic and legal environments in the RSA, and by the general state of the RSA economy. Our results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Foreign Exchange Risk

We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these currencies into U.S. dollars when we consolidate our financial results. Operating outside of the United States further exposes us to foreign exchange risk, which we monitor. We are most sensitive to changes in the exchange rates of the South African rand, the renminbi, the euro and the U.S. dollar. We have more ZAR expenses than we do sales in South Africa. Furthermore, a portion of our consolidated revenues are denominated in South African Rand, or ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. Alternatively, if the ZAR depreciates against the U.S. Dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. In China we have more renminbi expenses than we do sales, because we manufacture our products in China that we sell globally. A decrease in the value of the U.S. dollar in relation to the renminbi could increase our cost of purchasing products in China. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk. In Europe we have significantly more sales than we do expenses. Since 77% of our sales is derived outside the U.S. where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.

Inflation

Inflationary factors such as increases in the cost of our sales and overhead costs may adversely affect our operating results. During the year ended December 31, 2022, the Company experienced inflationary cost increases that had an impact on both cost of sales, gross margins and selling, general and administrative expenses. During the second half of 2021, the Company was able to increase pricing in order to off-set a portion of these costs. A high rate of inflation in the future may have a significant adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The full text of our audited consolidated financial statements as of December 31, 2022 and 2021 begins on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, Mr. Sean Macdonald, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer determined that, as of December 31, 2022, and as of the date that the evaluation was completed, our disclosure controls and procedures were effective.

Internal Controls over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP, and includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
3. 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.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, management used the framework set forth in the report entitled Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting, as of December 31, 2022 was effective.

Because the Company is a smaller reporting company, this annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm.

Changes in Internal Controls over Financial Reporting

There were no changes in its internal controls over financial reporting in 2022 that would materially affect, or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

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

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors, Executive Officers, Promoters and Control Persons

The following sets forth the name and position of each of our current executive officers, directors and significant employees and their ages and titles as of March 20, 2023.

Name	Age	Title
Dr. Christopher James Leatt	54	Founder, Chairman and Research & Development Consultant
Sean Macdonald	45	CEO, CFO, President and Director
Jeffrey Joseph Guzy.....	71	Director

DR. CHRIS LEATT: Dr. Leatt, aged 54, has served as the Company's Chairman since 2005 and as the Company's Research and Development consultant since July 2015. He studied medicine at the University of Cape Town and interned in the United Kingdom. He worked briefly as a General Practitioner and in General Surgery and Orthopaedics before taking up a Registrar's position in Neurosurgery at the Tygerberg Academic Hospital. He resigned from his post in Neurosurgery in order to develop and study the benefits and viability of a neck protection system (the Leatt-Brace®) for helmet clad sport and recreational users in an attempt to reduce devastating neck injuries. Dr. Leatt is a fixed wing PPL pilot, Commercial helicopter pilot and Grade II instructor. He has been an active participant in competitive cross-country motorcycle endurance races, as well as Super Sport and Battle of the Twins (BOTTS) track racing events. He won the Western Province BOTTS championship in 2011.

SEAN MACDONALD: Mr. Macdonald, CA (SA), aged 45, has served as the Company's Chief Executive Officer and President since November 2010, as its Chief Financial Officer since August 2009, and as a Director since May 2010. Prior to joining the Company, Mr. Macdonald served from August 2004 to December 2009, as the Chief Financial Officer of Cyclelab, the largest bicycle retailer in South Africa, where he was responsible for operational, financial and strategic leadership of the business including the implementation of a franchise model in order to grow the business. Mr. Macdonald holds a Bachelor of Commerce Degree in Finance and Information Systems from the University of Cape Town, as well as a Post-Graduate Diploma in Accounting, which included 3 years of articles at KPMG Cape Town. Mr. Macdonald is also a South Africa registered Chartered Accountant.

JEFFREY GUZY: Mr. Guzy, aged 71, has served as a director since April 2007 and serves as a business development consultant and entrepreneur in Arlington, Virginia. Mr. Guzy is currently working as Chairman and CEO of CoJax Oil and Gas Corporation (OTC.CJAX). Prior to that, Mr. Guzy served, from October 2007 to August 2010 as our President. Mr. Guzy has a MBA in Strategic Planning and Management from The Wharton School of the University of Pennsylvania; a M.S. in Systems Engineering from the University of Pennsylvania; a B.S. in Electrical Engineering from Penn State University; and a Certificate in Theology from Georgetown University. Mr. Guzy has served as an executive manager or consultant for business development, sales, customer service and management in the telecommunications industry, specifically, with IBM Corp., Sprint International, Bell Atlantic Video Services, Loral CyberStar and FaciliCom International. Mr. Guzy has also started his own telecommunications company providing Internet services in Western Africa. He serves as an independent director and chairman of the audit committee of public companies, Capstone Industries (OTC.CAPC) and Purebase Corporation (OTC.PUBC), and as an independent director and chairman of the audit committee and the corporate governance committee of Blue Star Foods Corporation (NASDAQ.BSFC) a public company and chairman of the audit committee of BON Natural Foods (NASDAQ.BON).

There are no agreements or understandings for any of our executive officers, directors or significant employees to resign at the request of another person and no officer or director is acting on behalf of nor will any of them act at the direction of any other person.

Qualifications, Attributes, Skills and Experience Represented on the Board

The Board has identified particular qualifications, attributes, skills and experience that are important to be represented on the board as a whole, in light of our current needs and business priorities. The Board believes that each director is a recognized person of high integrity with a proven record of success in his or her field. Each director demonstrates innovative thinking, familiarity with and respect for corporate governance requirements and practices, an appreciation of multiple cultures and a commitment to the business and operations of the Company. In addition to the foregoing qualifications, the Board has assessed the intangible qualities including the director's ability to ask difficult questions and, simultaneously, to work collegially. The Board also considers diversity of age, cultural background and professional experiences in evaluating candidates for Board membership. Diversity is important because a variety of points of view contribute to a more effective decision-making process.

Set forth below is a tabular disclosure summarizing some of the specific qualifications, attributes, skills and experiences of our directors.

Name	Title	Qualifications
Dr. Christopher James Leatt	Founder, Chairman and Head of Research & Development	• Dr. Leatt holds a Bachelor of Medicine and Bachelor of Surgery Degree and is the inventor of the Leatt Brace® and the Founder of the Company. • He supports the Company's research and development department and has an intimate knowledge of the Company's innovative products. • He contributes invaluable long-term knowledge of the Company's business and operations and extensive experience in the industry.
Sean Macdonald	CEO, CFO, President and Director	• Mr. Macdonald is a registered Chartered Accountant and holds a Bachelor of Commerce Degree in Finance and Information Systems and a Post-Graduate Diploma in Accounting. • His invaluable experience in finance and accounting provides insight for the implementation of effective operational, financial and strategic leadership of the Company.
Jeffrey Joseph Guzy	Director	• Through his MBA in Strategic Planning & Management and his knowledge of U.S. capital markets, Mr. Guzy provides invaluable guidance and perspective to the Board. • He has also served as the Company's President and has invaluable long-term knowledge of the Company's business and operations.

Family Relationships

There are no family relationships among our directors or officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;

- been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- •been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self- regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Except as set forth in our discussion below in "Certain Relationships and Related Transactions, and Director Independence - Transactions with Related Persons," none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Significant Employees

Name	Age	Position
Erik Olsson	55	International General Manager and Head of International Distribution
Todd Repsher.....	52	U.S. General Manager

ERIK OLSSON: Mr. Olsson, aged 55, has served as our International General Manager and Head of International Distribution since January 2012. Prior to that, Mr. Olsson served from January 2010 to December 2011, as European General Manager and later as General Manager of Asia, Europe, the Middle-East and the Central Pacific (Oceania). Mr. Olsson has over 15 years' experience as a sales and product manager for various companies in the power sports industry. Prior to joining us he served from January 2003 to December 2009 as Area Manager for Jofrab Ab, a Swedish distributor of motorcycles and recreational vehicles.

TODD REPSHER: Mr. Repsher, aged 52, has served as our U.S. General Manager since 2016 and served as our US National Sales Manager since March 2014. Mr. Repsher is an award-winning sales executive with over fifteen years' experience in the marketing and sales of sports orientated companies in North America. Prior to joining us he was the National Sales Manager for Switzerland-based Scott Sports, Inc. from 2011 to 2013, where he managed the sale and distribution of all North American motorsports (off-road, on-road, snowmobile) apparel and accessories for Scott Sports. Prior to that, Mr. Repsher served, from 2002 to 2011, as the Outside Sales Territory Manager for California-based Fox Racing, Inc.

Stockholder Communication with the Board of Directors

Stockholders may communicate with the Board by sending a letter to our Board of Directors, c/o Corporate Secretary, 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7550 for submission to the board or committee or to any specific director to whom the correspondence is directed. Stockholders communicating through this means should include with the correspondence evidence, such as documentation from a brokerage firm, that the sender is a current record or beneficial stockholder of the Company. All communications received as set forth above will be opened by the Corporate Secretary or his designee for the sole purpose of determining whether the contents contain a message to one or more of our directors.

Any contents that are not advertising materials, promotions of a product or service, patently offensive materials or matters deemed, using reasonable judgment, inappropriate for the Board will be forwarded promptly to the chairman of the Board, the appropriate committee or the specific director, as applicable.

Code of Ethics

We have adopted a written code of ethics that applies to all of our officers, directors and employees, including our principal executive officer and principal financial officer, or persons performing similar functions, a copy of which is attached as an exhibit to this report.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table Update

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the following persons for services rendered in all capacities during the indicated periods. No other executive officers received total annual salary and bonus compensation in excess of $100,000.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)[3]	Option Awards ($)[1]	Non-Equity Incentive Plan Compensation Earnings ($)	Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Dr. Christopher James Leatt,									
Chairman and	2020	63,250	--	34,080	11,446	--	--	476,629	585,405
Head of Research and	2021	71,730	--	164,666	11,446	--	--	506,796	754,638
Development(2)	2022	70,179	--	239,432	17,166	--	--	519,468	846,245
Sean Macdonald, ...	2020	242,171	80,000	50,268	17,166	--	--	--	389,605
President, CEO, CFO and	2021	309,393	150,000	242,206	17,166	--	--	--	718,765
Director	2022	350,699	140,000	352,156	25,749	--	--	--	868,604
Todd Repsher	2020	188,265	25,000	29,820	6,602	--	--	7,821	257,508
U.S. National sales manager	2021	213,600	40,000	82,084	6,602	--	--	1,712	343,998
	2022	230,700	28,500	58,036	9,904	--	--	1,985	329,125

1. The option awards reflect a 1-for-25 reverse split effected by the Company on September 20, 2012.
2. Also reflects compensation to Dr. Leatt in his capacity as our Research and Development consultant as discussed under the *Summary of Employment Agreements* heading below. Compensation received by Dr. Leatt in his role as Chairman of the Company's board of directors is separately reflected under the Compensation heading below.
3. The stock awards reflect stock awards from previous issuances that vested during the period as well as stock awards that were issued during the period.

Summary of Employment Agreements

We have entered into an employment agreement, effective as of January 1, 2014, with Sean Macdonald our President, CEO and CFO, pursuant to which, as amended, we were obligated to pay him a base salary of R2,927,758 (approximately $199,985) and $70,511 per annum. Mr. Macdonald further will receive a travel allowance of R114,010 (approximately, $7,788), medical and life insurance benefits, participation in the Company's new provident fund, the right to participate in the Company's executive wellness program and he is entitled to an annual performance-based bonus at the sole discretion of the Company's Board of Directors. Effective January 1, 2023, the Company and Mr. Macdonald agreed to amend the employment agreement to increase his base salary to R3,849,000 (approximately $226,764) and $101,400 per annum, subject to guaranteed minimum exchange rate. Mr. Macdonald further will receive a travel allowance of R114,010 (approximately, $6,717), medical and life insurance benefits, participation in the Company's new provident fund, the right to participate in the Company's executive wellness program and he is entitled to an annual performance-based bonus at the sole discretion of the Company's Board of Directors. Mr. Macdonald may not sell any stock issued to him by the Company without prior written consent of the Board of Directors. Mr. Macdonald is also subject to the customary confidentiality covenants and South African Labor Laws which entitle Mr. Macdonald to one week's severance pay for each year of service to the Company. The agreement may be terminated by either party with six months' written notice; provided that Mr. Macdonald will be obligated to assist in the appointment and orientation of his successor during such six-month period. Mr. Macdonald may also be terminated by the Company with no notice for gross misconduct, incapacity or for breach of the employment agreement.

We have entered into an employment agreement, effective as of March 3, 2014, with Todd Repsher, our U.S. General Manager, pursuant to which, as amended, we were obligated to pay him a base salary from $17,800 per month. Effective January 1, 2023, his base salary increased to $246,000 per annum. Mr. Repsher also receives coverage under the Company's employment benefit plans and is subject to customary confidentiality and indemnification requirements. The agreement may be terminated at any time by the Company and upon three months' written notice by Mr. Repsher, however, in advance of any termination based on neglect of duty or breach of the employment agreement, the Company may, in its sole discretion, give Mr. Repsher 15 days' advance notice with an opportunity to cure the deficiency. The agreement is subject to California law and disputes under the agreement are subject to resolution by arbitration.

Dr. Christopher Leatt is compensated in his capacity as our Research and Development consultant, pursuant to our Consulting Agreement, dated November 8, 2021, with Innovation Services Limited, or Innovation, a Jersey limited company in which, Dr. Leatt is an indirect beneficiary. Pursuant to the terms of the agreement, Innovation has agreed to serve as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee, effective January 1, 2023, the monthly fee payable is $44,371; provided, however, that Dr. Leatt must remain an Innovation director and beneficiary of a majority of its ownership interests during the term of the agreement, and Dr. Leatt must remain the Company's primary point of contact responsible for the oversight, review and delivery of the services to be performed by Innovation under the agreement. Innovation may increase its monthly fees, on an annual basis, by no greater than the lesser of: (a) two and one-half percent (2.5%) of the prior year's annualized fee; or (b) a percentage equal to then-applicable annual percentage increase in the Consumer Price Index (CPI) published by the United States Department of Labor's bureau of labor statistics, plus one-half percent (0.5%). The parties further agreed that all intellectual property generated in connection with the services provided under the consulting agreement will be the sole property of the Company. The consulting agreement was effective as of November 1, 2021 and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the consulting agreement upon 6 months' prior written notice, except that the consulting agreement may be terminated by the Company immediately without notice if the services to be performed by Innovation cease to be performed by Dr. Leatt, if beneficial ownership in Innovation by Dr. Leatt's and his immediate family members decreases, or for any other material breach of the agreement. The parties have agreed to settle any dispute under the consulting agreement by submission to JAMS for final and binding arbitration pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules. The Company also simultaneously entered into a side letter agreement, dated November 8, 2021, with Dr. Leatt, pursuant to which Dr. Leatt agreed, among other things: (1) not to perform services similar to the services provided under the agreement for any current or future, direct or indirect competitor of the Company or any similar company; (2) not to solicit any current or future employees of the Company for employment with Innovation or any other entity with which he may become affiliated, or to contact or solicit any current or future stockholder or investor of the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company; and (3) that he will apprise the Company of any business opportunity that he becomes aware of that could benefit the Company so that the Company, can in its sole discretion, make a determination regarding whether to pursue such opportunity in the best interest of the Company and its stockholders. Dr. Leatt further agreed to continue dedicating a majority of his time on matters related to performance of his duties as a director of the Company and to the fulfillment of his obligations to the Company's research and development efforts under the consulting agreement, and the Company will have the right to adjust the amount of the fees payable under the consulting agreement to the extent of any substantial diminution in his fulfillment of such duties and obligations. This agreement replaced a prior agreement from June 2018 to November 2021, on the same payment terms and conditions with Innovate Services Limited, a Seychelles company, beneficially owned by Dr. Leatt, that wound up operations.

Grants of Plan-Based Awards

The following table sets forth information regarding equity grants to named executive officers during the fiscal year ended December 31, 2022, including prior year grants that vested during the period.

Name	Grant Date	All other stock awards: Number of shares of stock or units	All other option awards: Number of securities underlying options	Exercise or base price of option awards ($/Share)	Grant date fair value of stock and option awards ($)
Dr. Christopher Leatt	2/25/2019	--	52,000	$ 2.30	$ 119,600
Sean Macdonald	2/25/2019	--	78,000	$ 2.30	$ 179,400
Todd Repsher	2/25/2019	--	30,000	$ 2.30	$ 69,000
Dr. Christopher Leatt	12/29/2020	8,000	--	$ 7.10	$ 56,800
Sean Macdonald	12/29/2020	11,800	--	$ 7.10	$ 83,780
Todd Repsher	12/29/2020	7,000	--	$ 7.10	$ 49,700
Dr. Christopher Leatt	12/31/2021	8,500	--	$ 30.06	$ 255,510
Sean Macdonald	12/31/2021	12,500	--	$ 30.06	$ 375,750
Todd Repsher	12/31/2021	4,000	--	$ 30.06	$ 120,240
Dr. Christopher Leatt	12/20/2022	6,800	--	$ 18.51	$ 125,686
Sean Macdonald	12/20/2022	10,000	--	$ 18.51	$ 185,100

Outstanding Equity Awards at Fiscal Year End

The following table sets forth the equity awards outstanding at December 31, 2022 for each of our named executive officers.

	OPTION AWARDS				
Name	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
Dr. Christopher Leatt.....	52,000	--	--	$ 2.60	March 28, 2026
Dr. Christopher Leatt.....	52,000	--	--	$ 1.60	August 23, 2027
Dr. Christopher Leatt.....	52,000	--	--	$ 2.30	February 24, 2029
Todd Repsher.....	30,000	--	--	$ 2.30	February 24, 2029

On March 29, 2016, the Board of Directors of the Company approved the grant to Dr. Christopher Leatt, the Company's Chairman, of a 10-year option under the Company's 2011 Plan, to purchase 52,000 shares of the Company's common stock at an exercise price of $2.60 a share, 15,600 of which immediately vested. The initial option grant to Dr. Leatt had vesting scheduled for the remaining underlying shares on December 31, 2017 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026 and the December 31, 2017 vesting date was eliminated. The option to purchase 15,600 of the shares vested on March 29, 2017, and the remaining options to purchase 20,800 shares vested in two equal portions on March 29, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date. This option to purchase 52,000 shares will expire on March 28, 2026. On August 24, 2017, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, 20,800 of which vested on December 31, 2017, 15,600 of which vested on December 31, 2018, and the remaining 15,600 of which vested on December 31, 2019. This option will expire on August 23, 2027. On February 25, 2019, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 15,600 (30%) of which vested on February 25, 2019, another 10,400 of which vested on February 25, 2020, another 10,400 of which vested on February 25, 2021, and the remaining 15,600 (30%) shares vested on February 25, 2022. This option to purchase 52,000 shares will expire on February 24, 2029.

On March 29, 2016, the Board approved the grant to Sean Macdonald, the Company's Chief Executive Officer and Chief Financial Officer, of a 10-year option under the Company's 2011 Plan, to purchase 78,000 shares of the Company's common stock at an exercise price of $2.60 a share, 23,400 of which immediately vested. The initial option grant to Mr. Macdonald had vesting scheduled for the remaining underlying shares on December 31, 2017 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2017 vesting date was eliminated. Options to purchase 23,400 shares vested on March 29, 2017, and the remaining options to purchase 15,600 shares and 15,600 shares vested on March 29, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date. On November 16, 2021, Mr. Macdonald exercised his option to purchase all 78,000 of these shares. On August 24, 2017, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, options to purchase 31,200 shares vested on December 31, 2017, options to purchase another 23,400 vested on December 31, 2018, and the remaining options to purchase 23,400 shares vested on December 31, 2019. On November 16, 2021, Mr. Macdonald exercised his option to purchase 56,000 of these shares and on December 13, 2022, he exercised his option to purchase the remaining 22,000 shares. On February 25, 2019, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 23,400 (30%) of which vested on February 25, 2019, another 15,600 of which vested on February 25, 2020, and another 15,600 of which vested on February 25, 2021, and the remaining 23,400 (30%) shares vested on February 25, 2022. On December 13, 2022, Mr. Macdonald exercised his option to purchase all 78,000 of these shares.

On March 29, 2016, the Board approved the grant to Todd Repsher, the Company's U.S. General Manager, of a 10-year option under the Company's 2011 Plan, to purchase 39,000 shares of the Company's common stock at an exercise price of $2.60 a share, 11,700 of which immediately vested. Options to purchase 11,700 shares vested on March 29, 2017, and the remaining options to purchase 7,800 shares and 7,800 shares vested on March 29, 2018 and 2019, respectively. On May 16, 2022, Mr. Repsher exercised his option to purchase all 39,000 of these shares. On February 25, 2019, the Board approved a grant to Mr. Repsher of a 10-year option to purchase 30,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 9,000 (30%) of which vested on February 25, 2019, another 6,000 of which vested on February 25, 2020, and another 6,000 of which vested on February 25, 2021. The remaining 9,000 (30%) shares vested on February 25, 2022. This option to purchase 30,000 shares will expire on February 24, 2029.

Option Exercises and Stock Vested

Except as set forth below, no named executive officers exercised stock options, stock appreciation rights or similar instruments or had vesting stock during the fiscal year ended December 31, 2022.

On February 25, 2019, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 15,600 (30%) of which vested on February 25, 2019, another 10,400 of which vested on February 25, 2020, another 10,400 of which vested on February 25, 2021, and the remaining 15,600 (30%) shares vested on February 25, 2022. This option to purchase 52,000 shares will expire on February 24, 2029. On December 29, 2020, the Company's Board approved the award of 8,000 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (4,800 shares) of the restricted stock vested immediately, on the date of the award, twenty percent (1,600 shares) vested on December 29, 2021, and the remaining 20% (1,600 shares) vested on December 29, 2022. On December 22, 2021, the Board approved the award of 8,500 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (5,100 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (3,400 shares) vested in four equal instalments on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022. On December 20, 2022, the Board approved the award of 6,800 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, all of which vested on December 31, 2022.

On August 24, 2017, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, the option to purchase 31,200 shares vested on December 31, 2017, the option to purchase another 23,400 vested on December 31, 2018, and the remaining option to purchase 23,400 shares vested on December 31, 2019. Mr. Macdonald previously exercised his option to purchase 56,000 of these shares on November 16, 2021, and on December 13, 2022, he exercised his option to purchase the remaining 22,000 shares. On February 25, 2019, the Board approved a grant to Mr. Macdonald, of a 10-year option to purchase 78,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 30% or 23,400 of which vested February 25, 2019. Options to purchase another 20%, or 15,600 shares, vested on February 25, 2020, options to purchase another 20% or 15,600 shares, vested on February 25, 2021 and options to purchase the remaining 30% or 23,400 shares vesteded on February 25, 2022. On December 13, 2022, Mr. Macdonald exercised his option to purchase all 78,000 of these shares. On December 29, 2020, the Company's Board approved the award of 11,800 restricted shares of the Company's common stock to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (7,080 shares) of the restricted stock vested immediately, on the date of the award, twenty percent (2,360 shares) vested on December 29, 2021, and the remaining 20% (2,360 shares) vested on December 29, 2022. On December 22, 2021, the Board approved the award of 12,500 restricted shares of the Company's common stock to Mr Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (7,500 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (5,000 shares) vested in four equal instalments on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022. On December 20, 2022, the Board approved the award of 10,000 restricted shares of the Company's common stock to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, all of which vested on December 31, 2022.

On February 25, 2019, the Board approved a grant to Mr. Guzy, of a 10-year option to purchase 15,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 30% or 4,500 of which vested February 25, 2019. Options to purchase another 20% or 3,000 shares, vested on February 25, 2020, options to purchase another 20% or 3,000 shares, vested on February 25, 2021 and options to purchase the remaining 30% or 4,500 shares vested on February 25, 2022. On December 29, 2020, the Company's Board approved the award of 2,250 restricted shares of the Company's common stock to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (1,350 shares) of the restricted stock vested immediately, on the date of the award, 20% (450 shares) vested on December 29, 2021 and the remaining 20% (450 shares) vested on December 29, 2022. On December 22, 2021, the Board approved the award of 1,000 restricted shares of the Company's common stock to Mr Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (600 shares) of the restricted stock vested on December 31, 2022, and the remaining 40% (400 shares) vested in four equal instalments on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022. On December 20, 2021, Mr. Guzy exercised an option to purchase 10,000 shares of common stock at an exercise price of $2.60 a share under the 2011 Plan. On December 22, 2022, the Board approved the award of 800 restricted shares of the Company's common stock to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, all of which vested on December 31, 2022.

On March 29, 2016, the Board approved the grant to Todd Repsher, the Company's U.S. General Manager, of a 10-year option under the Company's 2011 Plan, to purchase 39,000 shares of the Company's common stock at an exercise price of $2.60 a share, 11,700 of which immediately vested. Options to purchase 11,700 shares vested on March 29, 2017, and the remaining options to purchase 7,800 shares and 7,800 shares vested on March 29, 2018 and 2019, respectively. On May 16, 2022, Mr. Repsher exercised his option to purchase all 39,000 of these shares. On February 25, 2019, the Board approved a grant to Mr. Repsher, of a 10-year option to purchase 30,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 9,000 (30%) of which vested on February 25, 2019, another 6,000 of which vested on February 25, 2020, and another 6,000 of which vested on February 25, 2021. The remaining 9,000 (30%) shares vested February 25, 2022. This option to purchase 30,000 shares will expire on February 24, 2029. On December 29, 2020, the Company's Board approved the award of 7,000 restricted shares of the Company's common stock to Mr. Repsher, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (4,200 shares) of the restricted stock vested immediately, on the date of the award, 20% (1400 shares) vested on December 29, 2021, and the remaining 20% (1,400 shares) vested on December 29, 2022. On December 22, 2021, the Board approved the award of 4,000 restricted shares of the Company's common stock to Mr Repsher, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (2,400 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (1,600 shares) vested in four equal instalments on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022.

Pension Benefits

The Company and its U.S. employees participate in a defined contribution plan under Section 401(k) of the Internal Revenue Code (IRC). None of the named executive officers received or held benefits under a defined pension benefit plan and the Company did not maintain a defined pension benefit plan during the fiscal year ended December 31, 2022.

Nonqualified Deferred Compensation

No nonqualified deferred compensation was offered or issued to any named executive officer during the fiscal year ended December 31, 2022.

Potential Payments upon Termination or Change in Control

Our named executive officers are not entitled to severance payments or other benefit upon the termination of their employment agreements or following a change in control.

Compensation of Directors

The following table sets forth the total director compensation earned by our directors during our fiscal year ended December 31, 2022:

Name	Fees earned or paid in cash ($)	Stock awards ($)	Option awards ($)	All other compensation ($)	Total ($)
Dr. Christopher James Leatt	70,179	239,432	17,166	—	326,777
Jeffrey J. Guzy	24,000	30,027	4,952	—	58,979
Sean Macdonald	18,000	352,156	25,749	—	395,905

Narrative to Director Compensation Table

During the 2022 calendar year, we paid Jeff Guzy and Sean Macdonald $2,000 and $1,500 per month, respectively, for their services as directors. In the future, we may adopt a policy of paying independent directors a fee for their attendance at board and committee meetings. We also reimburse our directors for reasonable travel expenses related to their duties as our directors.

On July 8, 2015, the Company entered into a Director Agreement with Board Chairman, Dr. Christopher Leatt, pursuant to which, as amended, in addition to his duties with the Company's Research and Development department, Dr. Leatt agreed to devote as much time as is necessary to perform the duties of a director of the Company, including duties as a member of any committees that he may be appointed to by the Board of Directors, including but not limited to assisting the Company with the development of business and new business strategies relating to the objectives of the Company, participation in the Company's investor relations activities, including road shows and shareholder communication activities, and participation in corporate strategy decisions of the Company. Effective January 1, 2022, as compensation for his services Dr. Leatt will receive a base fee of ZAR 95,000.00 per month, approved expenses for travel, medical and life insurance benefits and participation in the Company's Senior Executive Wellness Program, and the Company has agreed to indemnify him to the full extent allowed by law except where such indemnification is prohibited due to intentional misconduct, fraud or knowing violation of law. Either party may terminate the Director Agreement at any time upon six months' written notice unless he resigns from his position or is removed by shareholders of the Company prior to such termination.

On March 29, 2016, the Board of Directors of the Company approved the grant to Dr. Leatt, of a 10-year option under the Company's 2011 Plan, to purchase 52,000 shares of the Company's common stock at an exercise price of $2.60 a share, 15,600 of which immediately vested. The initial option grant to Dr. Leatt had vesting scheduled for the remaining underlying shares on December 31, 2017 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026 and the December 31, 2017 vesting date was eliminated. The option to purchase 15,600 of the shares vested on March 29, 2017, and the remaining options to purchase 20,800 shares vested in two equal portions on March 29, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date. This option to purchase 52,000 shares will expire on March 28, 2026. On August 24, 2017, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, 20,800 of which vested on December 31, 2017, 15,600 of which vested on December 31, 2018, and the remaining 15,600 of which vested on December 31, 2019. This option to purchase 52,000 shares will expire on August 23, 2027. On February 25, 2019, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 15,600 (30%) of which vested on February 25, 2019, another 10,400 of which vested on February 25, 2020, and another 10,400 of which vested on February 25, 2021. The remaining 15,600 (30%) shares vested February 25, 2022. This option to purchase 52,000 shares will expire on February 24, 2029. On December 29, 2020, the Company's Board approved the award of 8,000 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (4,800 shares) of the restricted stock vested immediately, on the date of the award, twenty percent (1,600 shares) vested on December 29, 2021, and the remaining 20% (1,600 shares) vested on December 29, 2022. On December 22, 2021, the Company's Board approved the award of 8,500 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, sixty percent (5,100 shares) of which vested on December 31, 2021, and the remaining 40% (3,400 shares) of which vested in equal parts on March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022. On December 20, 2022, the Board approved the award of 6,800 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, all of which vested on December 31, 2022.

On November 22, 2016, the Board granted Mr. Guzy, a 10-year option under the Company's 2011 Plan, to purchase 10,000 shares of the Company's common stock, at an exercise price of $2.60 per share. The option to purchase 60% or 6,000 of the shares vested on March 29, 2017, options to purchase another 20% or 2,000 of the shares vested on March 29, 2018, and the option to purchase the remaining 20% or 2,000 shares vested on March 29, 2019. On December 20, 2021, Mr. Guzy exercised his option to purchase these 10,000 shares. On February 25, 2019, the Board approved a grant to Mr. Guzy of another 10-year option to purchase 15,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 30% or 4,500 of which vested February 25, 2019. Options to purchase another 20% or 3,000 shares, vested on February 25, 2020, options to purchase another 20% or 3,000 shares, vested on February 25, 2021 and options to purchase the remaining 30% or 4,500 shares vested February 25, 2022. This option to purchase 15,000 shares will expire on February 24, 2029. On December 29, 2020, the Company's Board approved the award of 2,250 restricted shares of the Company's common stock to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, sixty percent (1,350 shares) of which vested immediately, on the date of the award, 20% (450 shares) of which vested on December 29, 2021 and the remaining 20% (450 shares) of which vested on December 29, 2022. On December 22, 2021, the Company's Board approved the award of 1,000 restricted shares of the Company's common stock to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, sixty percent (600 shares) of which vested on December 31, 2021, and the remaining 40% (400 shares) of which vested in equal parts on March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022. On December 20, 2022, the Board approved the award of 800 restricted shares of the Company's common stock to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, all of which vested on December 31, 2022.

On March 29, 2016, the Board approved the grant to Sean Macdonald, the Company's Chief Executive Officer and Chief Financial Officer, of a 10-year option under the Company's 2011 Plan, to purchase 78,000 shares of the Company's common stock at an exercise price of $2.60 a share, 23,400 of which immediately vested. The initial option grant to Mr. Macdonald had vesting scheduled for the remaining underlying shares on December 31, 2017 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2017 vesting date was eliminated. Options to purchase 23,400 shares vested on March 29, 2017, and the remaining options to purchase 15,600 shares and 15,600 shares vested on March 29, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date. On August 24, 2017, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, options to purchase 31,200 shares vested on December 31, 2017, options to purchase another 23,400 vested on December 31, 2018, and the remaining options to purchase 23,400 shares vested on December 31, 2019. On November 16, 2021, Mr. Macdonald exercised his option to purchase 56,000 of these shares and on December 13, 2022, he exercised his option to purchase the remaining 22,000 shares. On February 25, 2019, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 23,400 (30%) of which vested on February 25, 2019, another 15,600 of which vested on February 25, 2020, and another 15,600 of which vested on February 25, 2021, and the remaining 23,400 (30%) shares vested on February 25, 2022. On December 13, 2022, Mr. Macdonald exercised his option to purchase all 78,000 of these shares. On December 29, 2020, the Company's Board approved the award of 11,800 restricted shares of the Company's common stock to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, sixty percent (7,080 shares) ofwhich vested immediately, on the date of the award, 20% (2,360 shares) of which vested on December 29, 2021 and the remaining 20% (2,360 shares) of which vested on December 29, 2022.. On December 22, 2021, the Company's Board approved the award of 12,500 restricted shares of the Company's common stock to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, sixty percent (7,500 shares) of which vested on December 31, 2021, and the remaining 40% (5,000 shares) of which vested in equal parts on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022. On December 20, 2022, the Board approved the award of 10,000 restricted shares of the Company's common stock to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan, all of which vested on December 31, 2022.

Limitation of Liability and Indemnification

Section 78.138 of the NRS provides that a director or officer will not be individually liable unless it is proven that (i) the director's or officer's acts or omissions constituted a breach of his or her fiduciary duties, and (ii) such breach involved intentional misconduct, fraud or a knowing violation of the law.

Section 78.7502 of NRS permits a company to indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a threatened, pending or completed action, suit or proceeding if the officer or director (i) is not liable pursuant to NRS 78.138 or (ii) acted in good faith and in a manner the officer or director reasonably believed to be in or not opposed to the best interests of the corporation and, if a criminal action or proceeding, had no reasonable cause to believe the conduct of the officer or director was unlawful.

Section 78.751 of NRS permits a Nevada company to indemnify its officers and directors against expenses incurred by them in defending a civil or criminal action, suit or proceeding as they are incurred and in advance of final disposition thereof, upon receipt of an undertaking by or on behalf of the officer or director to repay the amount if it is ultimately determined by a court of competent jurisdiction that such officer or director is not entitled to be indemnified by the company. Section 78.751 of NRS further permits the company to grant its directors and officers additional rights of indemnification under its articles of incorporation or bylaws or otherwise.

Section 78.752 of NRS provides that a Nevada company may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the company, or is or was serving at the request of the company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as such, whether or not the company has the authority to indemnify him against such liability and expenses.

Our Articles of Incorporation provide that no director or officer of the Company will be personally liable to the Company or any of its stockholders for damages for breach of fiduciary duty as a director or officer; provided, however, that the foregoing provision shall not eliminate or limit the liability of a director or officer (i) for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or (ii) the payment of dividends in violation of Section 78.300 of NRS. In addition, our Bylaws implement the indemnification and insurance provisions permitted by Chapter 78 of the NRS by providing that:

- The Company shall indemnify its directors to the fullest extent permitted by the NRS and may, if and to the extent authorized by the board of directors, so indemnify its officers and any other person whom it has the power to indemnify against liability, reasonable expense or other matter whatsoever.
- The Company may at the discretion of the board of directors' purchase and maintain insurance on behalf of any person who holds or who has held any position identified in the paragraph above against any and all liability incurred by such person in any such position or arising out of his status as such.

Insofar as indemnification by us for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling the company pursuant to provisions of our articles of incorporation and bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Other than as disclosed herein, there is no pending litigation or proceeding involving any of our directors or executive officers to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of March 20, 2022, the stock ownership of (i) each of our executive officers and directors, (i) of all our executive officers and directors as a group, and (iii) of each person known by us to be a beneficial owner of 5% or more of our common stock. Except as otherwise noted, each person listed below is the sole beneficial owner of the shares and has sole investment and voting power of such shares. No person listed below has any option, warrant or other right to acquire additional securities of the Company, except as may be otherwise noted. Unless otherwise specified, the address of each of the persons set forth below is in care of Leatt Corporation, 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7550.

Title of Class		**Name & Address of Beneficial Owner**	**Office, If Any**	**Amount and Nature Of Beneficial Ownership [2]**	**Percent Of Class [3]**
Common Stock, $0.001 Par value	**Class A Voting Convertible Preferred Stock, $0.001 par value[1]**				
Officers and Directors					
X	-	Dr. Christopher J. Leatt [4]	Founder, Innovation Officer and	2,008,914	32.79%
-	X		Chairman	96,000	80.00%
X	-	Jeffrey J. Guzy[5]	Director	70,717	1.18%
-	-	Sean Macdonald[6]	Chief Executive Officer, President and Director	287,809	4.82%
X	**-**	**All officers and directors as a group (persons named above)**		**2,367,440**	**38.54%**
-	X			**96,000**	**80.00%**
5% Shareholders					
X	-	Jean-Pierre De Villiers[7]		312,200	5.23%
-	X			24,000	20.00%

(1) The Preferred Stock votes with the Common Stock at a vote of 100-for-one, subject to adjustments resulting from any future stock splits. The Preferred Stock has priority over the Common Stock in any liquidation preferences but no dividend rights (except as may be declared by the Board). The Common Stock has dividend rights in respect of any dividend distributions when and if declared and paid by the Company. The Common Stock has a claim to any liquidation distribution, subject to the priority claim of the Preferred Stock. No dividends have been paid to date on any securities. There are no other classes of equity securities authorized and issued.

(2) Beneficial Ownership is determined in accordance with the rules of the U.S. Securities and Exchange Commission or "SEC" and generally includes voting or investment power with respect to securities. Each of the beneficial owners listed above has direct ownership of and sole voting power and investment power with respect to the shares of our common stock.

(3) As of the date of this report and after giving effect to the Company's 1-for-25 reverse stock split effected on September 20, 2012 (the "Reverse Split"), the Company has 28,000,000 shares of common stock authorized with 5,971,340 shares issued and outstanding, and 1,120,000 shares of Preferred Stock authorized with 120,000 shares issued and outstanding. For each Beneficial Owner above, any options exercisable or restricted shares vesting within 60 days have been included in the denominator.

(4) Represents (a) 1,847,907 shares of common stock directly held by Dr. Leatt and 5,007 shares of common stock held by members of his immediate family, (b) a vested option to purchase 52,000 shares of common stock at $2.60 per share which expires on March 28, 2026, (c) a vested option to purchase 52,000 shares of common stock at $1.60 per share which will expire on August 23, 2027, (d) a vested option to purchase 52,000 shares of common stock at $2.30 per share which will expire on February 24, 2029, and (e) 23,300 shares of restricted stock awarded to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan.

(5) Represents (a) 55,717 shares of common stock directly held by Mr. Guzy, (b) a vested option to purchase 15,000 shares of common stock at $2.30 per share which expires on February 24, 2029, and (c) 4,050 shares of restricted stock awarded to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan.

(6) Represents (a) 287,809 shares of common stock directly held by Mr. Macdonald, (b) 34,300 shares of restricted stock awarded to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan.

(7) Includes beneficial ownership disclosed on Mr. De Villiers's Schedule 13D/A filed with the Commission on August 21, 2022 and Form 144 filed February 7, 2023.

Changes in Control

We do not currently have any arrangements which if consummated may result in a change of control of our Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Transactions with Related Persons

The following includes a summary of transactions since the beginning of the last fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds $120,000, and in which any related person had or will have a direct or indirect material interest (other than compensation described under "Executive Compensation"). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

On March 1, 2006, the Company entered into a Licensing Agreement with Xceed Holdings (formerly, Leatt Brace Holdings), a South African company that is controlled by Dr. Leatt, the Company's Chairman, and by Mr. De Villiers until his resignation on August 29, 2006. Under the terms of the Licensing Agreement, we are obligated to pay Xceed Holdings 4% of neck brace sales revenue billed and received by us, on a quarterly basis based on sales of the previous quarter. During the years ended December 30, 2022 and 2021, the Company paid an aggregate of $243,822 and $327,729, in licensing fees to Xceed Holdings. In addition, pursuant to a separate license agreement between us and Mr. De Villiers, the Company is obligated to pay a royalty fee of 1% of all our billed and received neck brace sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. Royalties paid to Mr. De Villiers totaled $60,957 and $81,920 for the years ended December 31, 2022 and 2021, respectively.

From May 15, 2015, through October 31, 2021, the Company was party to a consulting agreement, dated July 8, 2015, between the Company and Innovate Services Limited, or Innovate, a Seychelles limited company in which Dr. Leatt is an indirect beneficiary, pursuant to which, as amended, Innovate served as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided that Dr. Leatt personally performs the services to be performed by Innovate under the agreement. Either party had the right to terminate the agreement for convenience, upon six months' prior written notice, or by the Company immediately without notice in the event of Innovate's breach of an obligation under the contract or if Dr. Leatt could no longer perform the services On November 8, 2021, the Company terminated the agreement with Innovate, effective October 31, 2021, in connection with the wind-up of Innovate's business operations. The termination of the agreement with Innovate will not have an adverse effect on the Company's research and development operations as the Company simultaneously entered into a new consulting agreement with Innovation Services Limited, Jersey limited company beneficially owned by Dr. Leatt, for the same research, development and marketing services, and on substantially the same terms and conditions as the terminated agreement. During the years ended December 31, 2022 and 2021, the Company recognized an aggregate of $0 and $422,330, respectively, in consulting fees to Innovate.

On November 8, 2021, the Company entered into a consulting agreement with Innovation Services Limited, a Jersey limited company in which, Dr. Christopher Leatt, the Company's founder and chairman, is an indirect beneficiary. Pursuant to the terms of the agreement, Innovation has agreed to serve as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided, however, that Dr. Leatt must remain an Innovation director and beneficiary of a majority of its ownership interests during the term of the agreement, and Dr. Leatt must remain the Company's primary point of contact responsible for the oversight, review and delivery of the services to be performed by Innovation under the agreement. Innovation may increase its monthly fees, on an annual basis, by no greater than the lesser of: (a) two and one-half percent (2.5%) of the prior year's annualized fee; or (b) a percentage equal to then-applicable annual percentage increase in the Consumer Price Index (CPI) published by the United States Department of Labor's bureau of labor statistics, plus one-half percent (0.5%). The parties further agreed that all intellectual property generated in connection with the services provided under the consulting agreement will be the sole property of the Company. The consulting agreement was effective as of November 1, 2021, and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the consulting agreement upon 6 months' prior written notice, except that the consulting agreement may be terminated by the Company immediately without notice if the services to be performed by Innovation cease to be performed by Dr. Leatt, if beneficial ownership in Innovation by Dr. Leatt's and his immediate family members decreases, or for any other material breach of the agreement. The parties have agreed to settle any dispute under the consulting agreement by submission to JAMS for final and binding arbitration pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules. The Company also simultaneously entered into a side letter agreement, dated November 8, 2021, with Dr. Leatt, pursuant to which Dr. Leatt agreed, among other things: (1) not to perform services similar to the services provided under the agreement for any current or future, direct or indirect competitor of the Company or any similar company; (2) not to solicit any current or future employees of the Company for employment with Innovation or any other entity with which he may become affiliated, or to contact or solicit any current or future stockholder or investor of the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company; and (3) that he will apprise the Company of any business opportunity that he becomes aware of that could benefit the Company so that the Company, can in its sole discretion, make a determination regarding whether to pursue such opportunity in the best interest of the Company and its stockholders. Dr. Leatt further agreed to continue dedicating a majority of his time on matters related to performance of his duties as a director of the Company and to the fulfillment of his obligations to the Company's research and development efforts under the consulting agreement, and the Company will have the right to adjust the amount of the fees payable under the consulting agreement to the extent of any substantial diminution in his fulfillment of such duties and obligations. During the years ended December 31, 2022 and 2021, the Company recognized an aggregate of $519,468 and $84,466, respectively, in consulting fees to Innovation.

Except as set forth in our discussion above, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Policies and Procedures for Review, Approval or Ratification of Transactions with Related Persons

As we increase the size of our board of directors to include additional independent directors, we expect to prepare and adopt a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and approval or ratification of "related-persons transactions." For purposes of our policy only, a "related-person transaction" will be a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any "related person" are participants involving an amount that exceeds $120,000. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person will not be covered by this policy. A related person will be any executive officer, director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons.

We anticipate that, where a transaction has been identified as a related-person transaction, the policy will require management to present information regarding the proposed related-person transaction to our audit committee (or, where approval by our audit committee would be inappropriate, to another independent body of our board of directors) for consideration and approval or ratification. Management's presentation will be expected to include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available.

To identify related-person transactions in advance, we are expected to rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our board of directors will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

We also expect that the policy will require any interested director to excuse himself from deliberations and approval of the transaction in which the interested director is involved.

Promoters and Certain Control Persons

We did not have any promoters at any time during the past five fiscal years.

Director Independence

Our Board of Directors has determined that our director, Mr. Jeffrey Guzy, is an independent director, as the term "independent" is defined by the rules of the Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Independent Auditors' Fees

The following is a summary of the fees billed to the Company for professional services rendered for the fiscal years ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	**2021**
Audit Fees	$ 175,000	$ 139,000
Audit-Related Fees	19,820	6,495
Tax Fees	14,600	10,019
Other fees	50	337
TOTAL	$ 209,470	$ 155,851

"Audit Fees" consisted of fees billed for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our Form 10-K and 10-Qs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

"Audit-Related Fees" consisted of fees billed for assurance and related services by the principal accountant that were reasonably related to the performance of the audit or review of our financial statements and are not reported under the paragraph captioned "Audit Fees" above.

"Tax Fees" consisted of fees billed for professional services rendered by the principal accountant for tax returns preparation.

"All Other Fees" consisted of fees billed for products and services provided by the principal accountant, other than the services reported above under other captions of this Item 14.

Pre-Approval Policies and Procedures

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our auditors must be approved in advance by our board of directors to assure that such services do not impair the auditors' independence from us. In accordance with its policies and procedures, our board of directors pre-approved the audit and non-audit services performed by Fitzgerald & Co, CPAs, P.C. for our financial statements as of and for the year ended December 31, 2022

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Financial Statements and Schedules

The financial statements are set forth under Item 8 of this annual report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

Exhibit Number	Exhibit Title
2.1	Settlement Agreement, dated as of September 25, 2008, between Leatt Corp., Christopher J. Leatt and J. P. De Villiers
2.2	Amendment No. 1 to Settlement Agreement, dated February 4, 2010, between Leatt Corp., Christopher J. Leatt and Jean- Pierre De Villiers
3.1	Amended and Restated Articles of Incorporation, as filed with the Secretary of State of Nevada on October 28, 2008
3.2	Amended and Restated Bylaws, adopted on October 28, 2008
4.1	Certificate of Designation of Series A Voting Convertible Preferred Stock, as filed with the Secretary of State of Nevada on October 29, 2008
4.2	Leatt Corp. Amended and Restated 2011 Equity Incentive Plan as amended
4.3	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Dr. Christopher Leatt
4.4	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Sean Macdonald
4.5	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Todd Repsher
4.6	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Erik Olsson
4.7	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Jeffrey Guzy
4.8	Stock Option Agreement, dated November 22, 2016, between Leatt Corp. and Jeffrey Guzy
4.9	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Dr. Christopher Leatt
4.10	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Sean Macdonald
4.11	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Erik Olsson
4.12	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Dr. Christopher Leatt
4.13	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Sean Macdonald
4.14	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Todd Repsher
4.15	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Erik Olsson
4.16	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Dr. Christopher Leatt
4.17	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Sean Macdonald
4.18	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Todd Repsher
4.19	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Erik Olsson
4.20	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Jeffrey Guzy
4.21	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Todd Repsher
4.22	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Erik Olsson
4.23	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Jeffrey Guzy
4.24	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Sean Macdonald
4.25	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Dr. Christopher Leatt
4.26*	Restricted Stock Award Agreement, dated December 22, 2022, between Leatt Corp. and Erik Olsson
4.27*	Restricted Stock Award Agreement, dated December 22, 2022, between Leatt Corp. and Jeffrey Guzy
4.28*	Restricted Stock Award Agreement, dated December 22, 2022, between Leatt Corp. and Sean Macdonald
4.29*	Restricted Stock Award Agreement, dated December 22, 2022, between Leatt Corp. and Dr. Christopher Leatt
10.1	Consulting Agreement, dated November 8, 2021, between Innovation Services Limited and Leatt Corporation
10.2	Side Letter Agreement, dated November 8, 2021, between Leatt Corporation and Dr. Christopher Leatt
10.3	2022-23 Leatt Corporation General Business Terms and Conditions, effective November 1, 2021
10.4	Lease Agreement, dated February 24, 2022, between Leatt Corp. and Montprop Beleggings (Pty) Ltd
10.5*	Lease Agreement, dated January 12, 2023, between Leatt Corp. and AJ Brutus Investments cc.
10.6*	Lease Agreement, dated May 24, 2022, between Leatt Corp. and FC Rust Theron Incorporated.
10.7	Lease Agreement, dated December 14, 2020, between Two Eleven Distribution, LLC, and CP Logistics NVCC IV, LLC.
10.8*	Second Amended and Restated Employment Agreement, effective as of January 1, 2009, between Leatt Corp. and Sean Macdonald (as amended)

10.9	Consulting Agreement, dated July 8, 2015, between Innovate Services Limited and Leatt Corporation (as amended)
10.10	Employment Agreement, dated July 8, 2015, between Innovate Services Limited and Dr. Christopher Leatt
10.11	Side Letter Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt
10.12	Director Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt (as amended)
10.13	Director Agreement, dated June 29, 2017, between Leatt Corporation and Sean Macdonald (as amended)
10.14	Director Agreement, dated January 1, 2017, between Leatt Corporation and Jeffrey Guzy (as amended)
14.1	Code of Ethics
21*	List of Subsidiaries
31.1*	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Interactive data files pursuant to Rule 405 of Regulation S-T
101.INS**	Inline XBRL Instance Document-the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2022 is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at December 31, 2022 and 2021; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2022 and 2021; (iii) Consolidated Statements of Changes in Shareholders' Equity as of and for the years ended December 31, 2022 and 2021; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021; and (vi) Notes to Consolidated Financial Statements. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

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

Dated: March 28, 2023

LEATT CORPORATION

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

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Sean Macdonald Sean Macdonald	Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer)	March 28, 2023
/s/ Dr. Christopher J. Leatt Dr. Christopher J. Leatt	Chairman	March 28, 2023
/s/ Jeffrey J. Guzy Jeffrey J. Guzy	Director	March 28, 2023

LEATT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

CONTENTS

FITZGERALD & CO., CPAs, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Leatt Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of **LEATT CORPORATION** (the Company) as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the two- year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Fitzgerald + Co, CPAs, P.C.

We have served as the Company's auditor since 2008.

Vienna, Virginia
March 28, 2023

PCAOB: 58

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Members of: American Institute of Certified Public Accountants PCPS/CAQ • Virginia Society of Certified Public Accountants CPA Associates International, Inc., a consortium of independent CPA firms with members in Principal U.S. and International Cities

LEATT CORPORATION
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 and 2021

ASSETS

	2022	2021
Current Assets		
Cash and cash equivalents	$ 7,102,945	$ 5,022,436
Short-term investments	-	58,262
Accounts receivable, net	12,839,597	12,660,936
Inventory, net	22,805,462	21,081,481
Payments in advance	1,047,137	1,610,640
Deferred asset, net	1,016,815	-
Prepaid expenses and other current assets	2,878,112	4,178,427
Total current assets	47,690,068	44,612,182
Property and equipment, net	3,104,336	3,128,086
Operating lease right-of-use assets, net	1,092,170	1,393,213
Other Assets		
Deposits	40,796	33,339
Total Assets	$ 51,927,370	$ 49,166,820

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	$ 6,011,390	$ 14,617,671
Note payable, current	108,398	83,270
Operating lease liabilities, current	280,743	318,621
Deferred compensation, current	400,000	-
Income taxes payable	3,382,700	2,738,818
Short term loan, net of finance charges	1,030,196	975,025
Total current liabilities	11,213,427	18,733,405
Deferred compensation, net of current portion	-	320,000
Note payable, net of current portion	141,967	189,249
Operating lease liabilities, net of current portion	811,427	1,074,592
Deferred tax liability, net	66,200	228,600
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $.001 par value, 1,120,000 shares authorized, 120,000 shares issued and outstanding	3,000	3,000
Common stock, $.001 par value, 28,000,000 shares authorized, 5,971,340 and 5,673,683 shares issued and outstanding	130,309	130,162
Additional paid - in capital	10,645,497	9,230,847
Accumulated other comprehensive loss	(1,081,143)	(779,268)
Retained earnings	29,996,686	20,036,233
Total stockholders' equity	39,694,349	28,620,974
Total Liabilities and Stockholders' Equity	$ 51,927,370	$ 49,166,820

The accompanying notes are an integral part of these consolidated financial statements.

LEATT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	2022	2021
Revenues	$ 76,335,539	$ 72,475,813
Cost of Revenues	45,202,712	41,029,710
Gross Profit	31,132,827	31,446,103
Product Royalty Income	240,044	182,698
Operating Expenses		
Salaries and wages	6,148,179	5,003,640
Commissions and consulting expenses	563,689	812,097
Professional fees	586,474	1,072,912
Advertising and marketing	3,342,791	2,170,788
Office lease and expenses	689,068	428,608
Research and development costs	2,179,996	1,826,846
Bad debt expense	474,019	222,250
General and administrative expenses	3,273,346	2,450,376
Depreciation	1,098,433	1,025,536
Total operating expenses	18,355,995	15,013,053
Income from Operations	13,016,876	16,615,748
Other Expenses		
Interest and other expenses, net	(13,550)	(163)
Total other expenses	(13,550)	(163)
Income Before Income Taxes	13,003,326	16,615,585
Income Taxes	3,042,873	4,041,148
Net Income Available to Common Shareholders	$ 9,960,453	$ 12,574,437
Net Income per Common Share		
Basic	$ 1.71	$ 2.29
Diluted	$ 1.62	$ 2.07
Weighted Average Number of Common Shares Outstanding		
Basic	5,821,119	5,480,375
Diluted	6,136,781	6,068,276
Comprehensive Income		
Net Income	$ 9,960,453	$ 12,574,437
Other comprehensive income, net of ($14,700) and ($1,000) deferred income taxes in 2022 and 2021		
Foreign currency translation	(301,875)	(216,568)
Total Comprehensive Income	$ 9,658,578	$ 12,357,869

The accompanying notes are an integral part of these consolidated financial statements.

LEATT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	Preferred Stock A		Common Stock		Additional Paid - In	Accumulated Other Comprehensive	Retained	
	Shares	Amount	Shares	Amount	Capital	Loss	Earnings	Total
Balance, January 1, 2021	120,000	$ 3,000	5,430,374	$ 130,111	$ 8,338,158	$ (562,700)	$ 7,461,796	$15,370,365
Compensation cost recognized in connection with stock options	-	-	-	-	55,020	-	-	55,020
Exercise of stock options	-	-	10,000	10	25,990	-	-	26,000
Options exercised on a cashless basis	-	-	192,259	-	-	-	-	-
Restricted stock awards	-	-	41,050	41	811,679	-	-	811,720
Net income	-	-	-	-	-	-	12,574,437	12,574,437
Foreign currency translation adjustment	-	-	-	-	-	(216,568)	-	(216,568)
Balance, December 31, 2021	120,000	$ 3,000	5,673,683	$ 130,162	$ 9,230,847	$ (779,268)	$20,036,233	$28,620,974
Compensation cost recognized in connection with stock options	-	-	-	-	82,530	-	-	82,530
Exercise of stock options	-	-	118,000	118	255,682	-	-	255,800
Options exercised on a cashless basis	-	-	150,657	-	-	-	-	-
Restricted stock awards	-	-	29,000	29	1,076,438	-	-	1,076,467
Net income	-	-	-	-	-	-	9,960,453	9,960,453
Foreign currency translation adjustment	-	-	-	-	-	(301,875)	-	(301,875)
Balance, December 31, 2022	120,000	$ 3,000	5,971,340	$ 130,309	$10,645,497	$ (1,081,143)	$29,996,686	$39,694,349

The accompanying notes are an integral part of these consolidated financial statements.

LEATT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Net income	$ 9,960,453	$ 12,574,437
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,098,433	1,025,536
Deferred income taxes	(162,400)	307,300
Stock-based compensation	1,158,997	866,740
Bad debts reserve	452,037	189,699
Inventory reserve	(11,111)	(408)
Deferred asset allowance	105,071	-
(Gain) loss on sale of property and equipment	(23,006)	5,040
(Increase) decrease in:		
Accounts receivable	(630,698)	(5,676,806)
Deferred asset	(1,121,886)	-
Inventory	(1,712,870)	(11,411,037)
Payments in advance	563,503	(805,542)
Prepaid expenses and other current assets	1,300,315	(2,069,237)
Income tax refunds receivable	-	2,964
Deposits	(7,457)	360
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,606,281)	6,608,746
Income taxes payable	643,882	1,084,618
Deferred compensation	80,000	80,000
Net cash provided by operating activities	3,086,982	2,782,410
Cash flows from investing activities		
Capital expenditures	(1,144,173)	(1,139,298)
Proceeds from sale of property and equipment	43,469	1,966
(Increase) decrease in short-term investments, net	58,262	(5)
Net cash used in investing activities	(1,042,442)	(1,137,337)
Cash flows from financing activities		
Issuance of common stock	255,800	26,000
Proceeds from note payable	58,075	272,519
Repayment of note payable to bank	(80,229)	-
Proceeds from short-term loan, net	55,171	297,424
Net cash provided by financing activities	288,817	595,943
Effect of exchange rates on cash and cash equivalents	(252,848)	(185,622)
Net increase in cash and cash equivalents	2,080,509	2,055,394
Cash and cash equivalents - beginning of year	5,022,436	2,967,042
Cash and cash equivalents - end of year	$ 7,102,945	$ 5,022,436
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 58,825	$ 28,276
Cash paid for income taxes	$ 2,576,091	$ 2,680,978
Other noncash investing and financing activities		
Common stock issued for services	$ 1,158,997	$ 866,740

The accompanying notes are an integral part of these consolidated financial statements.

LEATT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Leatt Corporation (the "Company") designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs. The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings CC ("Holdings"), designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Holdings, a South African incorporated company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment.

The Company's products are manufactured predominately in China and sold to customers worldwide through a global network of distributors and dealers. Leatt also acts as the original equipment manufacturer for neck braces and other personal protective equipment sold by other international brands.

The Company was incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. On June 17, 2005, the Company changed its name to Leatt Corporation in connection with the Company's acquisition of rights to use the Leatt neck brace patents and trademarks. The Company conducts business in South Africa as a foreign registered branch, and in the United States through the Company's wholly-owned subsidiary, Two Eleven Distribution, LLC ("Two Eleven") a Nevada limited liability company. Research and development efforts, global sales and global operations are managed out of the Company's foreign registered branch located in Cape Town, South Africa. Two Eleven acts as a distributor of Leatt products in the United States. United States sales and marketing are managed by Two Eleven located in Reno, Nevada. The Company also has a wholly-owned subsidiary, Leatt Prop (Pty) Ltd ("Leatt Prop") a South African company, established on June 24, 2022, for the purpose of purchasing immoveable property in South Africa. The Company has not moved forward with its original plan and Leatt Prop remains dormant. The Company also had a wholly-owned subsidiary, Three Eleven Distribution (Pty) Ltd ("Three Eleven") which was an inactive South African incorporated company until December 2008, when it acquired South African registered patents relating to products unrelated to the Leatt-Brace® from Holdings. The patent was subsequently impaired in 2018 and written off entirely in 2019 and Three Eleven became a dormant company. Three Eleven was deregistered on October 11, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Leatt Corporation and its wholly-owned subsidiaries: Two Eleven Distribution, LLC and Leatt Prop (Pty) Ltd. All significant intercompany transactions have been eliminated.

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 the amounts of assets and liabilities and the disclosures 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.

Revenue and Cost Recognition - The Company's products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area or where consumers choose to purchase directly via the Company's e-commerce website (collectively the "customers").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Cost Recognition (continued) - Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect where no exchange of product is possible.

Revenues are recognized when performance obligations are satisfied as evidenced by transfer of control of promised goods to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Product royalty income, representing less than 1% of total revenues, is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

The Company's standard distributor payment terms range from pre-payment in full to 60 days after shipment and subsequent sales of product by distributors have no effect on the amount and timing of payments due to the Company, however, in limited instances qualified distributors and dealers may be granted extended payment terms during selected order periods. In performing such evaluations, the Company utilizes historical experience, sales performance, and credit risk requirements. Furthermore, products purchased by distributors may not be returned to the Company in the event that any such distributor relationship is terminated.

Since the Company (through its wholly-owned subsidiary) serves as the distributor of Leatt products in the United States, the Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the dealer or to the ultimate consumer when there is no dealer in the geographic area or the consumer chooses to purchase directly from the Company's e-commerce website and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer. The Company's standard terms and conditions of sale for non-consumer direct or web-based sales do not allow for product returns other than under warranty.

Sales totaling $2,509,534 were deferred as all the requirements to have a contract with the customer in accordance with ASC 606 had not been met as of December 31, 2022. The shipped goods associated with these deferred sales are included in the caption deferred asset, net of an allowance for potential loss of $105,071.

International sales (other than in the United States and South Africa) are generally drop-shipped directly from our consolidation warehouse or the third-party manufacturer to the international distributors. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point, Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned and exchanged due to product quality issues. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products. Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

In the following table, revenue is disaggregated by the source of revenue:

	Year Ended December 31,			
	2022	% of Revenues	2021	% of Revenues
Consumer and athlete direct revenues	$ 2,566,214	4%	$ 2,022,763	3%
Dealer direct revenues	16,201,781	21%	19,510,966	27%
International distributor revenues	57,567,544	75%	50,942,084	70%
	$76,335,539	100%	$72,475,813	100%

The Company reviews the reserves for customer returns at each reporting period and adjusts them to reflect data available at that time. To estimate reserves for returns, the Company estimates the expected returns and claims based on historical rates as well as events and circumstances that indicate changes to historical rates of product returns and claims. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. The provision for estimated returns at December 31, 2022 and December 31, 2021 was $0, and $0, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Cost Recognition (continued) - Sales commissions are expensed when incurred, which is generally at the time of sale, because the amortization period would have been one year or less. These costs are recorded in commissions and consulting expenses within operating expenses in the accompanying consolidated statements of operations and comprehensive income.

Shipping and handling activities associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a fulfilment cost and are included in revenues and cost of revenues in the accompanying consolidated statements of operations and comprehensive income. Revenue recognized from contracts with customers is recorded net of sales taxes, value added taxes, or similar taxes that are collected on behalf of local taxing authorities.

Operating leases - The Company determines if an arrangement is a lease at contract inception. Operating leases are included in the right-of-use assets ("ROU"), and lease liability obligations are included in the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset of the lease term and lease liability obligations represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's leases typically do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives and lease direct costs. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term. Please refer to Note 5 for additional information.

Short-term investments - The Company's short-term investments consisted of a certificate of deposit with a maturity of greater than three months but less than twelve months.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. The Company continuously monitors collections and payments from customers and maintains an allowance for doubtful accounts receivable based upon the expected credit losses determined utilizing historical experience and any specific customer collection issues that have been identified. In determining the amount of the allowance, management is required to make certain estimates and assumptions.

Accounts receivable balances that are still outstanding after management has used reasonable collection efforts are written off as uncollectible. While such credit losses have historically been minimal, within the Company's expectations and the provisions established, management cannot guarantee that the Company will continue to experience the same credit loss rates that the Company has in the past. A significant change in the liquidity or financial position of any of the Company's significant customers could have a material adverse effect on the collectability of the Company's accounts receivable and future operating results. The allowance for doubtful accounts for the years ended December 31, 2022 and 2021 was $743,621 and $291,584, respectively.

Inventory - Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the value of inventory, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, the Company utilizes historical experience as well as current market information. The reserve for obsolescence for the years ended December 31, 2022 and 2021 was $105,072 and $116,183 respectively.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the estimated useful lives of the respective assets. The estimated useful lives of assets for financial reporting purposes are as follows: moulds and tools, 2 to 5 years; computer equipment and software, 2 to 5 years; office and other equipment, 3 to 6 years; vehicles, 3 to 5 years; leasehold improvements, 3 to 5 years.

The cost of improvements that extend the lives of the assets are capitalized. Repairs and maintenance are expensed as incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets - The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows to be generated by the assets. Based on these reviews, no asset impairment charges were made to the carrying value of long-lived assets during the years ended December 31, 2022 and 2021.

Short-term Loan - The Company carries product liability insurance policies with a U.S. and South African-based insurance carrier. The Company finances payment of both of its product liability insurance premiums over the period of coverage, which is generally twelve months. The previous U.S. short-term loan was payable in monthly installments of $102,078 over eleven months including interest at 4.650% and has been paid in full. The current short-term loan is payable in monthly installments of $123,537 over ten months including interest at 8.250%.

The previous South African short-term loan that was payable in monthly installments of $5,950 over a ten-month period at a flat interest rate of 3.10% was repaid October 2022. The current short-term loan effective January 1, 2023 is payable in monthly installments of $6,601 over a ten-month period at a flat interest rate of 3.80%.

The Company also carries various short-term insurance policies in the U.S. The Company finances payment of its short-term insurance premiums over the period of coverage, which is generally twelve months. One short-term loan is payable on a sliding scale, in two payments of $37,381, three payments of $1,172 and six payments of $326 at 6.360% annual interest rate. A second short-term loan is payable in monthly installments of $19,781 over a seven-month period at a flat interest rate of 6.360%. The third short-term loan is payable in monthly installments of $3,369 over a ten-month period at a flat interest rate of 8.250%.

Preferred Stock - The Company's preferred stock, when issued, is generally convertible to common stock at or above the then current market price of the Company's common stock and therefore, contains no beneficial conversion feature. The Preferred Stock is convertible on a 1:1 ratio to common stock. Each holder of the Preferred Stock is not entitled to receive dividends and is entitled to 100 votes for each one share of Preferred Stock.

Shipping and Handling Costs - The Company includes shipping and handling fees billed to customers in revenues and shipping and handling costs incurred in cost of revenues.

Advertising - Costs of advertising and marketing are expensed as incurred.

Patent-related Costs - In connection with the Company's license agreement with Holdings, and its company owned patents, the Company incurs legal costs associated with approved patents and patent applications in various jurisdictions which are expensed as incurred and classified as professional fees in the consolidated statements of operations. Patent-related costs totaled $129,282 and $172,813, respectively for the years ended December 31, 2022 and 2021.

Research and Development - Research and development costs are expensed as incurred and include the salaries of those individuals directly involved in research and development activities.

Foreign Currency Translation and Foreign Currency Transactions - The U.S. dollar is the Company's reporting currency. Assets and liabilities of the Company's foreign operation, consisting of its South African Branch, denominated in the local currency, SA RAND, are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the rate of exchange at the date of the transaction in the applicable period. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income in stockholders' equity. Gains and losses generated by transactions denominated in foreign currencies are recorded in the accompanying statement of operations in the period in which they occur. Net unrealized losses on foreign currency translation adjustments totaled $301,875 and $216,568 during the years ended December 31, 2022 and 2021, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation - The Company accounts for stock-based compensation in accordance with the fair-value-base method set forth in FASB ASC Topic 718-10, Stock-Based Compensation, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors, including employee stock options, based on the estimated fair values on the date of grant or the fair value of the services performed. The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a pro rata basis over the requisite service period of each vesting tranche of each award. The Company considers voluntary termination behavior as well as trends of actual option forfeitures when estimating the forfeiture rate.

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

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

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2022, and 2021, the Company has no unrecognized tax benefits.

Net Income Per Share of Common Stock - Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common stock shares and dilutive potential common shares outstanding during the period. For the year ended December 31, 2022, the Company had 341,000 potential common shares, consisting of 120,000 preferred shares, and options to purchase 221,000 shares, outstanding that were potentially dilutive if exercised. For the year ended December 31, 2021, the Company had 628,000 potential common shares, consisting of 120,000 preferred shares, options to purchase 508,000 shares, outstanding that were potentially dilutive if exercised.

Comprehensive Income - Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including foreign currency translation adjustments and unrealized gains and losses on marketable securities. Accumulated comprehensive income at December 31, 2022 and 2021, represents cumulative translation adjustments related to the Company's foreign registered branch office and subsidiaries. The Company presents comprehensive income in the consolidated statements of operations and comprehensive income.

Fair Value of Financial Instruments - The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, short-term investments, accounts receivable, inventory, payments in advance, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments.

Concentration of Credit Risk - The Company maintains cash and cash equivalent balances at several financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2022, and 2021, the Company's uninsured bank balances totaled $6,813,511 and $4,751,602, respectively. The Company has not experienced any significant losses on its cash and cash equivalents. The Company's trade receivables are derived from sales to distributors and dealers. The Company has adopted credit policies and standards intended to accommodate industry growth and inherent risk. Management believes that credit risks are moderated by the diversity of the Company's end customers and geographic sales areas. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary. The Company maintains allowances for potential credit losses as needed. The Company has derived, and believes that it will continue

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk (continued) - to derive, a significant portion of its revenue from a limited number of customers. For the years ended December 31, 2022 and 2021, the Company's U.S. revenue was concentrated in one customer that accounted for approximately 9% and 10%, respectively, of annual U.S. revenue. As of December 31, 2022, and 2021, $45,030, or 0.3% and $254,477, or 2% of the Company's accounts receivable, respectively, were due from this customer. For the years ended December 31, 2022 and 2021, the Company's international revenue was concentrated in one customer that accounted for approximately 12% and 10%, respectively, of annual international revenue. As of December 31, 2022, and 2021, $1,812,924, or 11%, and $1,273,532, or 10% of the Company's accounts receivable, respectively, were due from this international customer. The Company generates revenue both in the United States and internationally. For the years ended December 31, 2022 and 2021, annual revenues associated with international customers were $59,020,266 and $52,337,504, or 77% and 72% of total revenue, respectively.

Statement of Cash Flows - The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less from the date of purchase to be cash equivalents.

Recently Adopted Accounting Pronouncements - In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2021-10 Government Assistance (Topic 832): "Disclosures by Business Entities About Government Assistance," which requires entities to provide annual disclosures about transactions with a government that are accounted for by applying a grant or contribution model by analogy. The standard is effective for annual periods beginning after December 15, 2021. The Company adopted the standard effective January 1, 2022. The adoption of the standard had no impact on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted - In September 2022, the FASB issued ASU No. 2022-04, "Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations." This ASU requires a buyer that uses supplier finance programs to make annual disclosures about the programs' key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period and associated rollforward information. The guidance is effective for the Company beginning on January 1, 2023, except for the rollforward, which is effective beginning on January 1, 2024. The Company is currently evaluating the impact of the new guidance and does not expect it to have a material impact on the Company's consolidated financial statements.

The Company evaluated all ASU's issued by the FASB for consideration of their applicability. ASU's not included in our disclosures were assessed and determined to be either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3 - INVENTORY

Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, the Company utilizes historical experience as well as current market information. The Company's products are manufactured by third parties predominantly in China and shipped to either a warehouse in Nevada, the corporate offices in South Africa or to distributors throughout South America, Africa, Europe, Asia, Australia and New Zealand. The reserve for obsolescence for the years ended December 31, 2022 and 2021 was $105,072 and $116,183, respectively.

During the years ended December 31, 2022 and 2021 the Company wrote off and destroyed $348,376 and $38,993, respectively, of inventory which was deemed to be obsolete.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022, and 2021 consisted of the following:

	2022	2021
Land	$ 285,752	$ 310,601
Moulds and tools	7,904,381	7,185,612
Computer equipment and software	965,837	783,398
Office and other equipment	828,652	764,212
Vehicles	251,047	225,505
Leasehold improvements	126,975	156,853
	$10,362,644	$ 9,426,181
Accumulated depreciation	(7,258,308)	(6,298,095)
Property and equipment, net	$ 3,104,336	$ 3,128,086

NOTE 5 - LEASES

On December 14, 2020, Two Eleven entered into a Lease Agreement to lease warehouse and office space comprising approximately 43,056 square foot in Reno, Nevada. The lease was to commence upon the date of substantial completion of the landlord's work, as defined in the Lease Agreement. The lease commenced on August 2, 2021 and has a period of sixty-six (66) month lease term from such commencement date, subject to renewal, at Two Eleven's option, for an additional five (5) year term. The rent payable from the 3rd month following the commencement date through to the 14th month will be $21,959 and thereafter the rent payable will escalate in subsequent months in accordance with the terms of the Lease Agreement, up to a monthly payment of $25,455 in the 63rd through 66th month. The rent payable will exclude other associated costs, such as real estate taxes, association dues, insurance and other fees. The Company recognized an operating lease right-of-use asset and operating lease liability of $1,403,549 and $1,403,549 as of the lease commencement date. The interest rate for this lease agreement as of August 2, 2021, is 3.75%.
On May 24, 2022, the Company entered into a non-cancelable operating lease for warehousing space in South Africa. The lease commenced on April 1, 2022 and expires in June 2023. The lease agreement requires the Company to pay a monthly rent of $851. The Company recognized an operating lease right-of-use asset and operating lease liability of $12,044 and $12,044 as of the lease commencement date. The interest rate for this lease agreement as of April 1, 2022 is 3.75 %.

On February 24, 2022, the Company entered into a non-cancelable operating lease for warehousing space in South Africa. The lease commenced on April 1, 2022 and expires in August 2023. The lease agreement requires the Company to pay a monthly rent of $1,628. The Company recognized an operating lease right-of-use asset and operating lease liability of $27,115 and $27,115 as of the lease commencement date. The interest rate for this lease agreement as of April 1, 2022 is 3.75 %.

As of December 31, 2022, the Company has three non-cancelable operating leases, for office and warehousing space, that expire in, June 2023, August 2023 and January 2027. Rent expense for these operating leases is recognized over the term of the lease on a straight-line basis.

Below is a summary of the Company's Operating Right-of-Use Assets and Operating Lease liabilities as of December 31, 2022 and 2021:

	2022	2021
Assets		
Operating lease ROU assets	$ 1,092,170	$ 1,393,213
Liabilities		
Operating lease liabilities, current	$ 280,743	$ 318,621
Operating lease liabilities, net of current portion	811,427	1,074,592
Total operating lease liabilities	$ 1,092,170	$ 1,393,213

NOTE 5 - LEASES (Continued)

For the years ended December 31, 2022, and December 31, 2021, the Company recognized $337,139 and $282,839, respectively in operating lease expenses, which are included in office lease and expenses in the Company's consolidated statements of operations and comprehensive income. Generally, the Company's lease agreements do not specify an implicit rate. Therefore, the Company estimates the incremental borrowing rate, which is defined as the interest rate the Company would pay to borrow on a collateralized basis, considering such factors as length of lease term and the risks of the economic environment in which the leased asset operates. As of December 31, 2022, and 2021, the following disclosures for remaining lease term and incremental borrowing rates were applicable:

Supplemental disclosure	December 31, 2022	December 31, 2021
Weighted average remaining lease term	5 years	5 years
Weighted average discount rate	3.75%	4.08%

Maturities of lease liabilities as of December 31, 2022 were as follows:

Year ended December 31,	Amounts under Operating Leases
2023	292,361
2024	281,664
2025	290,098
2026	298,792
2027	25,455
Total minimum lease payments	$ 1,188,370
Less: amount representing interest	$ (96,200)
Total operating lease liabilities	$ 1,092,170

Supplemental cash flow information for the years ended December 31, 2022, and 2021 are as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities	$ 337,139	$ 303,784
Right-of-use assets obtained in exchange for lease obligations	$ 41,163	$ 1,418,719

NOTE 6 - PAYMENTS IN ADVANCE

Payments in advance consists of upfront deposit payments made to suppliers for the purchase of assets including moulds, tooling and raw materials to be capitalized and used in the production of income in the future. Payments in advance of $1,047,137 and $1,610,640 as of December 31, 2022 and 2021 are recorded in current assets on the consolidated balance sheets.

NOTE 7 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consists primarily of upfront deposit payments made to contract manufacturers for the manufacturing of the Company's products. Prepaid expenses and other current assets of $2,878,112 and $4,178,427 as of December 31, 2022 and 2021 are recorded in current assets on the consolidated balance sheets.

NOTE 8 - REVOLVING LINE OF CREDIT FACILITY

On November 19, 2018, the Company entered into a $1,000,000 revolving line of credit agreement with a bank. Advances under the line of credit bear interest at the LIBOR Daily Floating Rate plus 2.5 percentage points commencing January 1, 2019. The line of credit matured on November 19, 2020, at which time the unpaid principal, interest, or other charges outstanding under the agreement were due and payable. On November 5, 2020, the Company executed an amendment to the line of credit agreement to extend the credit facility through November 19, 2021. The amendment took retroactive effect to October 27, 2020 and introduced an index floor so that payments for any future advances will bear interest at the greater of the LIBOR Daily Floating Rate or an Index Floor of 1.25 percentage points plus 2.5 percentage points. Obligations under the line of credit are secured by equipment and fixtures in the United States of America, accounts receivable and inventory of Leatt Corporation and Two-Eleven Distribution, LLC. On March 1, 2021, the Company executed an amendment to the line of credit. The amendment took retroactive effect to February 17, 2021 and extended the line of credit facility through February 28, 2022 and increased the revolving line of credit to $1,500,000. Effective January 21, 2022, the Company executed an amendment agreement for the line of credit to extend the line of credit facility through February 28, 2023, and to replace interest determined by LIBOR Daily Floating Rate with the Bloomberg Short-Term Bank Yield Index rate. The Company and Two Eleven signed amended documents to secure the loan by equipment and fixtures, accounts receivable and inventory of Two-Eleven. Effective January 20, 2023, the Company executed an amendment to the line of credit to extend the line of credit facility through February 29, 2024, to amend Banking days and update Successor Rate. The Company and Two Eleven signed updated documents to secure the loan by equipment and fixtures, accounts receivable and inventory of Two-Eleven. As of December 31, 2022, and 2021, respectively there were no advances of the line of credit leaving $1,500,000 and $1,500,000 available for advances.

NOTE 9 - NOTE PAYABLE

Two Eleven entered into a Note Payable with a bank effective December 17, 2021 in the principal amount of $272,519, secured by equipment. The Note is payable in 36 consecutive monthly instalments of $7,990, including interest at a fixed rate of 3.5370%, commencing February 5, 2022, and continuing to January 5, 2025. As of December 31, 2022, and 2021 $192,290 and $272,519 was outstanding.

Two Eleven entered into a Note Payable with a bank effective December 1, 2022 in the principal amount of $58,075, secured by equipment. The Note is payable in 36 consecutive monthly instalments of $1,816, including interest at a fixed rate of 7.8581%, commencing February 5, 2023, and continuing to January 5, 2026. As of December 31, 2022, the full amount of $58,075 was outstanding.

	2022	2021
Liabilities		
Note payable, current	$ 108,398	$ 83,270
Note payable, net of current portion	141,967	189,249
	$ 250,365	$ 272,519

Principal Maturities of note payable as of December 31, 2022 are as follows:

Year ended December 31,	Amounts under Notes Payable
2023	$ 108,398
2024	109,783
2025	28,588
2026	3,596
	$ 250,365

NOTE 10 - DEFERRED COMPENSATION

Effective January 1, 2018, the Company entered into a Long Service Bonus Agreement with a key employee. Should the employee remain employed pursuant to his performance requirements in his contract for five years, he shall be entitled to a onetime gross bonus payment. For the duration of this Agreement, the Company shall make a provision of $80,000 per year for the five years as deferred compensation expense. As of December 31, 2022, and 2021, the Company has recorded $400,000 and $320,000, respectively as a liability for deferred compensation with respect to this Agreement. The $400,000 was paid in full on January 20, 2023.

NOTE 11 - STOCKHOLDERS' EQUITY

On December 6, 2011, the Board of Directors adopted, and the shareholders subsequently approved, the 2011 Equity Incentive Plan (the "Plan") which provides for, among other incentives, the granting to employees, directors and consultants incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares as the Plan Administrator may determine. In June 2013, the shareholders approved an increase in the maximum shares from 260,000 to 460,000. In December 2015, the shareholders approved an increase in the maximum number of shares from 460,000 to 920,000. In December 2018, the shareholders approved an increase in the maximum shares from 920,000 to 1,120,000. In December 2020, the shareholders approved an increase in the maximum number of shares approved for issuance under the plan from 1,120,000 to 1,320,000. The maximum number of shares of common stock which may be issued under the Plan is 1,320,000. The maximum number of shares of common stock that may be awarded to an individual participant under the Plan in any one fiscal year is 78,000 shares. Options are generally exercisable at the fair market value or higher on the date of grant over a ten-year period. Shares are generally issued at the fair market value on the date of issuance.

In February 2019, options to purchase 250,000 of the Company's common stock were granted to key employees and the outside director under the Plan at an exercise price of $2.30 per share, exercisable over a 10-year period. On the date of grant, 30% of the shares underlying these options immediately vested with a compensation expense of $82,530. On February 25, 2020, 20% of the shares underlying these options vested with a compensation expense of $55,020. On February 25, 2021, 20% of the shares underlying these options vested with a compensation expense of $55,020. On February 25, 2022, 30% of the shares underlying these options vested with a compensation expense of $82,530. The fair value of the stock options granted was estimated at the date of grant using Black Sholes option-pricing model. Based on the list of assumptions presented below, the fair value of the options granted during the year ended December 31, 2019, was $1.10 per share.

The fair value of the stock options granted was estimated at the date of grant using the Black Sholes option-pricing model. The values of the options granted was calculated based on the list of assumptions presented below.

	2019 Options Granted
Expected terms in years	10
Years Risk-free interest rate	2.84%
Expected volatility	32.35%
Expected dividend yield	0.00%

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

Total stock-based compensation expense related to vested stock options recognized during the years ended December 31, 2022 and 2021 was $82,530 and $55,020. As of December 31, 2022, there was $0 of unrecognized compensation costs related to unvested stock options.

NOTE 11 - STOCKHOLDERS' EQUITY (continued)

A summary of information related to stock option activity during the years ended December 31, 2022 and 2021 is as follows:

	Outstanding Stock Options	Weighted - Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at January 1, 2021	727,000	$1.00 to $2.60	$ 3,733,600
Stock options exercised	(219,000)		
Options outstanding at December 31, 2021	508,000	$1.00 to $2.60	$ 15,377,200
Stock options exercised	(287,000)		
Options outstanding at December 31, 2022	221,000	$1.00 to $2.60	$ 3,711,500
Options vested and exercisable at December 31, 2022	221,000	$1.60 to $2.60	$ 3,711,500

The intrinsic value is the difference between the current fair value of the stock and the exercise price of the stock option. The weighted-average remaining contractual life of options outstanding, vested and exercisable as of December 31, 2022 is one to ten years.

On December 29, 2020, the Company's Board approved the award of 41,350 restricted shares of the Company's common stock to key employees and the outside director, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Equity Incentive Plan. On the date of grant, 60% of the shares underlying these options immediately vested with a compensation expense of $176,151. On December 29, 2021, 20% of the shares vested with a compensation expense of $58,717. On December 29, 2022, 20% of the shares vested with a compensation expense of $58,717. The fair value of the stock granted, calculated in accordance with the plan, was $7.10 per share.

On December 22, 2021, the Company's Board approved the award of 41,050 restricted shares of the Company's common stock to key employees and the outside director, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Equity Incentive Plan. On the date of grant, 1,050 shares vested, thereafter on December 31, 2021 60% of the remaining shares vested with a total compensation expense of $753,003. On March 31, 2022, 10% vested with a total compensation expense of $120,240. On June 30, 2022 10% vested with a total compensation expense of $120,240. On September 30, 2022 10% vested with a total compensation expense of $120,240. On December 30, 2022 10% vested with a total compensation expense of $120,240. The fair value of the stock granted, calculated in accordance with the plan, was $30.06 per share.

On December 22, 2022, the Company's Board approved the award of 29,000 restricted shares of the Company's common stock to key employees and the outside director, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Equity Incentive Plan. On the date of grant all 29,000 shares vested with a total compensation expense of $536,790. The fair value of the stock granted, calculated in accordance with the plan, was $18.51 per share.

Stock-based compensation expense related to vested restricted stock awards during the years ended, December 31, 2022 and 2021 was $1,076,467 and $811,720, respectively. As of December 31, 2022, there was $0 of unrecognized compensation cost related to unvested restricted stock.

In May 2021, the Company issued 12,400 shares of common stock to an employee who exercised stock options in a cashless exercise. In August 2021, the company issued 28,895 shares of commons stock to employees who exercised stock options in a cashless exercise.

In November 2021, the Company issued 150,964 shares of common stock to employees who exercised stock options in a cashless exercise.

In December 2021, the Company issued 10,000 shares of common stock to a director who exercised stock options.

In January 2022, the Company issued 78,000 shares of common stock to an employee who exercised stock options.

In March 2022, the Company issued 40,000 shares of common stock to two employees who exercised stock options.

NOTE 11 - STOCKHOLDERS' EQUITY (continued)

In May 2022, the Company issued 35,209 shares of common stock to an employee who exercised stock options in a cashless exercise.

In December 2022, the Company issued 115,448 shares of common stock to a director and two employees who exercised stock options in a cashless exercise.

NOTE 12 - INCOME TAXES

The Company's income tax expense (benefit) for the years ended December 31, 2022 and 2021 consists of the following components:

	2022	2021
Current		
Federal	$ 3,037,973	$ 3,057,420
State	182,000	676,428
	3,219,973	3,733,848
Deferred		
Federal	(177,100)	307,300
Income tax expense	$ 3,042,873	$ 4,041,148

The Company's effective income tax expense differs from the federal statutory amount because of the effect of the following items:

	2022	2021
Federal tax statutory rate	21.00%	21.00%
State tax statutory rate	1.20%	4.50%
Effect of prior year (over) under provision	-1.20%	1.00%
Timing and permanent differences	2.40%	-0.50%
Valuation Allowance	0.00%	0.00%
	23.40%	26.00%

Deferred income taxes (benefit) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and the tax effects of net operating losses that are available to offset future taxable income.

Significant components of the Company's deferred tax assets (liabilities) at December 31, 2022 and 2021 consist of the following:

	2022	2021
Deferred tax assets:		
Accounts receivable	$ 185,900	$ 72,900
Inventory	52,600	29,000
Payroll differences	(31,900)	105,500
Net operating loss carryforwards	1,023,000	1,023,000
Less valuation allowance	(1,023,000)	(1,023,000)
Deferred tax assets, net	$ 206,600	$ 207,400
Deferred tax liabilities:		
Depreciation	(272,800)	(436,000)
Deferred tax assets (liabilities), net	$ (66,200)	$ (228,600)

In assessing the ultimate realization of deferred tax assets and liabilities, management considers whether it is more likely than not that some or all of them will not be realized. The Company established a valuation allowance for the use of its state tax net operating loss carry forwards due to uncertain state tax profitability in the jurisdictions within which the losses were incurred.

NOTE 12 - INCOME TAXES (continued)

Changes in the tax system by certain states has prevented the Company from utilizing any portion of its state tax net operating loss carry forwards in 2022, and for tax years 2023 and 2024. While the future level of profitability is uncertain, due in part to the uncertain economic climate and its impact on our future levels of profitability, the change in the location of the USA warehouse in 2022 will impact the utilization of the state tax net operating loss carry forwards. As of both December 31, 2022, and 2021, the Company has approximately $12,900,000 of net operating loss carry forwards to offset certain future state taxable income, expiring in 2029.

The Company files a consolidated federal and separate company state income tax returns in the United States. As of December 31, 2022, the tax years that remain subject to examination are 2019 to 2022 for federal and state tax purposes.

The Company has reviewed its open tax positions and determined that no exposures exist that require an adjustment as of December 31, 2022 or 2021. While the Company believes that it has performed adequate procedures to identify all reasonably identifiable exposures, it is possible that exposures exist and that these exposures will need to be assessed and may potentially have a material impact on the Company's consolidated financial statements.

NOTE 13 - RELATED PARTY TRANSACTIONS

Royalty fees associated with sales of Leatt-Brace® products are paid to Holdings, a company owned by a director, and a related individual who is a shareholder. Royalties are based on 5% of the cash received from net sales of the neck braces worldwide and totaled $304,787 and $409,649 for the years ended December 31, 2022 and 2021. The term of the royalty agreement is for the life of the intellectual property. As of December 31, 2022, and 2021, accrued royalties totalled $18,661 and $72,859.

Prior to October 31, 2021, the Company was party to a consulting agreement between the Company and Innovate Services Limited, or Innovate, a Seychelles limited company in which the Company's founder and chairman is an indirect beneficiary, pursuant to which, as amended, Innovate served as the Company's exclusive research, development and marketing consultant. Monthly consulting fees amounting to $42,233 were payable pursuant to the terms of the agreement. During the year ended December 31, 2021, the Company recognized an aggregate of $422,330 in consulting fees to Innovate.

On November 8, 2021, the Company terminated the agreement with Innovate, effective October 31, 2021, and simultaneously entered into a new consulting agreement with Innovation Services Limited, or Innovation, a Jersey limited company in which the Company's founder and chairman is an indirect beneficiary, for the same research, development and marketing services, and on substantially the same terms and conditions as the terminated agreement. Monthly consulting fees amounting to $43,289 are payable to Innovation pursuant to the terms of the agreement effective, November 8, 2021, and totalled $519,468 and $84,466 for the years ended December 31, 2022 and 2021, respectively.

NOTE 14 - RETIREMENT PLANS

Effective January 1, 2019, the Company implemented a retirement plan under the provisions of Section 401(k) of the Internal Revenue Code for the benefit of the Company's U.S. based employees. Effective June 1, 2019, the Company implemented a provident fund for the benefit of the Company's permanent South African based employees.

The Company makes a matching contribution equal to 100% of the first 4% of participants' compensation which is deferred as an elective deferral. For the years ending December 31, 2022, and 2021, the Company contributed $28,224 and $29,119 on behalf of the Company's U.S. based employees to the retirement plan.

The Company contributes a minimum of 5.5% on behalf of the Company's S.A. based employees to the provident fund on a salary sacrifice basis. For the years ending December 31, 2022 and 2021, the Company contributed $63,478 and $43,679 on behalf of the Company's South African based employees.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation/Potential Litigation

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

NOTE 16 - RISKS AND UNCERTAINTIES

The COVID-19 pandemic had an adverse impact on global shipping and supply chains which caused a disruption in our customers' ordering patterns and ultimately inflated certain industry wide stock levels. This was further compounded by the global economic slowdown experienced worldwide due to a high inflationary environment and geo-political instability. Elevated industry wide inventory levels and adverse economic conditions compounded by resultant foreign exchange rate volatility may impact levels of consumer spending in the foreseeable future, which may affect the Company's profitability, and could have a negative impact on the Company's results of operations for the coming periods and beyond.

NOTE 17 - SUBSEQUENT EVENTS

Effective January 20, 2023, the Company executed an amendment to the line of credit to extend the line of credit facility through February 29, 2024, to amend Banking days and update Successor Rate. The Company and Two Eleven signed updated documents to secure the loan by equipment and fixtures, accounts receivable and inventory of Two-Eleven.

Effective January 1, 2018, the Company entered into a Long Service Bonus Agreement with a key employee. The requirement to receive a onetime gross bonus payment was that the employee had to remain employed pursuant to his performance requirements. The employee fulfilled the requirements of this agreement and received his bonus pursuant hereto on January 20, 2023.

The Company has evaluated all subsequent events through March 28, 2023, the date the financial statements were released.

EXHIBIT INDEX

Exhibit Number	Exhibit Title
2.1	Settlement Agreement, dated as of September 25, 2008, between Leatt Corp., Christopher J. Leatt and J. P. De Villiers
2.2	Amendment No. 1 to Settlement Agreement, dated February 4, 2010, between Leatt Corp., Christopher J. Leatt and Jean- Pierre De Villiers
3.1	Amended and Restated Articles of Incorporation, as filed with the Secretary of State of Nevada on October 28, 2008
3.2	Amended and Restated Bylaws, adopted on October 28, 2008
4.1	Certificate of Designation of Series A Voting Convertible Preferred Stock, as filed with the Secretary of State of Nevada on October 29, 2008
4.2	Leatt Corp. Amended and Restated 2011 Equity Incentive Plan as amended
4.3	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Dr. Christopher Leatt
4.4	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Sean Macdonald
4.5	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Todd Repsher
4.6	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Erik Olsson
4.7	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Jeffrey Guzy
4.8	Stock Option Agreement, dated November 22, 2016, between Leatt Corp. and Jeffrey Guzy
4.9	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Dr. Christopher Leatt
4.10	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Sean Macdonald
4.11	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Erik Olsson
4.12	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Dr. Christopher Leatt
4.13	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Sean Macdonald
4.14	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Todd Repsher
4.15	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Erik Olsson
4.16	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Dr. Christopher Leatt
4.17	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Sean Macdonald
4.18	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Todd Repsher
4.19	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Erik Olsson
4.20	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Jeffrey Guzy
4.21	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Todd Repsher
4.22	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Erik Olsson
4.23	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Jeffrey Guzy
4.24	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Sean Macdonald
4.25	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Dr. Christopher Leatt
4.26*	Restricted Stock Award Agreement, dated December 22, 2022, between Leatt Corp. and Erik Olsson
4.27*	Restricted Stock Award Agreement, dated December 22, 2022, between Leatt Corp. and Jeffrey Guzy
4.28*	Restricted Stock Award Agreement, dated December 22, 2022, between Leatt Corp. and Sean Macdonald
4.29*	Restricted Stock Award Agreement, dated December 22, 2022, between Leatt Corp. and Dr. Christopher Leatt
10.1	Consulting Agreement, dated November 8, 2021, between Innovation Services Limited and Leatt Corporation
10.2	Side Letter Agreement, dated November 8, 2021, between Leatt Corporation and Dr. Christopher Leatt
10.3	2022-23 Leatt Corporation General Business Terms and Conditions, effective November 1, 2021
10.4	Lease Agreement, dated February 24, 2022, between Leatt Corp. and Montprop Beleggings (Pty) Ltd
10.5*	Lease Agreement, dated January 12, 2023, between Leatt Corp. and AJ Brutus Investments cc.
10.6*	Lease Agreement, dated May 24, 2022, between Leatt Corp. and FC Rust Theron Incorporated.
10.7	Lease Agreement, dated December 14, 2020, between Two Eleven Distribution, LLC, and CP Logistics NVCC IV, LLC.
10.8*	Second Amended and Restated Employment Agreement, effective as of January 1, 2009, between Leatt Corp. and Sean Macdonald (as amended)
10.9	Consulting Agreement, dated July 8, 2015, between Innovate Services Limited and Leatt Corporation (as amended)
10.10	Employment Agreement, dated July 8, 2015, between Innovate Services Limited and Dr. Christopher Leatt
10.11	Side Letter Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt
10.12	Director Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt (as amended)
10.13	Director Agreement, dated June 29, 2017, between Leatt Corporation and Sean Macdonald (as amended)
10.14	Director Agreement, dated January 1, 2017, between Leatt Corporation and Jeffrey Guzy (as amended)

14.1	Code of Ethics
21*	List of Subsidiaries
31.1*	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Interactive data files pursuant to Rule 405 of Regulation S-T
101.INS**	Inline XBRL Instance Document-the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2022 is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at December 31, 2022 and 2021; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2022 and 2021; (iii) Consolidated Statements of Changes in Shareholders' Equity as of and for the years ended December 31, 2022 and 2021; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021; and (vi) Notes to Consolidated Financial Statements. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.70

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

FORM 10-K

(Mark One)

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

For the fiscal year ended: **December 31, 2021**

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

For the transition period from _____ to _____

Commission File No.000-54693

LEATT CORPORATION

(Exact name of registrant as specified in its charter)

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

12 Kiepersol Drive, Atlas Gardens
Contermanskloof Road,
Durbanville, Western Cape
South Africa, 7550
(Address of Principal Executive Offices; Zip Code)

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

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

Title of each class trading	Name of each exchange on which registered	Symbol(s)

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

Common Stock

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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of June 30, 2021 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the shares of the registrant's common stock held by non-affiliates was approximately $62,638,630**.** Shares of the registrant's common stock held by each executive officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded from the calculation in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Common Stock, $0.001 par value per share: 5,751,683 outstanding as of March 4, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Annual Report on Form 10-K
For the Year Ended December 31, 2021

TABLE OF CONTENTS

PART I

PART II

PART III

PART IV

Special Note Regarding Forward Looking Statements

This report contains forward-looking statements that are contained principally in the sections entitled "Our Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" in this report. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would" and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

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

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

Use of Certain Defined Terms

Except as otherwise indicated by the context, references in this annual report to:

- "Leatt," "we," "us," "our," the "Registrant" or the "Company" are to the combined business of Leatt Corporation, a Nevada corporation, its South African branch, Leatt SA, and its direct, wholly-owned subsidiaries, Two Eleven and Three Eleven;
- "Leatt SA" are to the Company's branch office known as 'Leatt Corporation (Incorporated in the State of Nevada)' incorporated under the laws of South Africa with registration number: 2007/032780/10;
- "Leatt USA" are to Leatt USA, LLC, a Nevada Limited Liability Company;
- "PRC", and "China" are to the People's Republic of China;
- "Two Eleven" refers to Two Eleven Distribution, LLC, a Nevada Limited Liability Company;
- "Three Eleven" are to Three Eleven Distribution (Pty) Limited, a dormant South African Company that was deregistered on October 11, 2021;
- "Securities Act" are to the Securities Act of 1933, as amended, and to "Exchange Act" are to Securities Exchange Act of 1934, as amended;
- "South Africa" are to the Republic of South Africa;
- "U.S. dollar," "$" and "US$" are to the legal currency of the United States.
- "Xceed Holdings" refers to Xceed Holdings CC., a close corporation incorporated under the laws of South Africa, and wholly- owned by The Leatt Family Trust, of which Dr. Christopher J. Leatt, the Company's chairman, is a Trustee and Beneficiary; and
- "ZAR" refers to the South African Rand, the legal currency of South Africa. For all ZAR amounts reported, the dollar amount has been calculated on the basis that $1 = ZAR15.6157 for its December 31, 2021 balance sheet.

PART I

ITEM 1. BUSINESS

Business Overview

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

The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment using this technology, as well as its own developed technology, including the Company's new body protection products which it markets under the Leatt Protection Range brand.

The Company's research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 3 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063. For the UK market our motorcycle helmets comply with ACU Gold and our GPX 3.5 helmet with JIS T 8133 for the Japanese Market. For the Brazilian market our Moto 7.5 and Moto 3.5 helmets comply with NBR 7471. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model Moto 7.5 to the CCC standard in China.

Our products are predominately manufactured in China under outsource manufacturing arrangements with third-party manufacturers located there subject to agreed standard terms. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products sold to our international customers are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 55 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to dealers in the United States and South Africa, respectively.

Our Corporate History and Structure

We were incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. Until March 2006, we were a shell company with little or no operations. Effective as of March 1, 2006, we acquired the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. On May 25, 2005, we changed our name to Leatt Corporation in connection with our anticipated acquisition of the Leatt-Brace® rights.

Leatt South Africa

The Company conducts business in South Africa as a foreign registered branch known as 'Leatt Corporation (Incorporated in the State of Nevada)' registered under the laws of South Africa with registration number: 2007/032780/10. Based in Cape Town, South Africa, Leatt SA was formed on November 14, 2007, for conducting the Company's business and operations in South Africa. Our corporate headquarters and our research and development efforts are based at Leatt SA.

Establishment of Two Eleven, Three Eleven and Leatt USA

On August 17, 2007, the Company established Two Eleven Distribution, a California limited liability company, as its wholly-owned subsidiary. Located in Santa Clarita, California, Two Eleven was formed to serve as the Company's executive offices in the United States, as well as the exclusive distributor of Leatt® products in the United States. On March 8, 2021, the Company's Board of Directors approved the redomicile of Two-Eleven Distribution to the State of Nevada, pursuant to a Plan of Conversion, effective upon the filing of Articles of Conversion with the Nevada Secretary of State on April 5, 2021.

Southern Palace Investments 409 (Proprietary) Limited, a South African company, was established on October 12, 2007, by the Company, to engage in the manufacturing and distribution of sporting goods and protective gear. The company was inactive until March 2009, when it acquired all intellectual property rights related to an invention entitled the Helmet® from Xceed Holdings, for an aggregate purchase price of ZAR 943,480 (approximately, $90,000) pursuant to a patent assignment agreement, effective as of January 1, 2009, between Xceed Holdings and Southern Palace, doing business as Three Eleven Distribution. On February 10, 2010, Southern Palace formally changed its name to Three Eleven Distribution to reflect its business purpose. The patent was subsequently impaired in 2018 and written off entirely in 2019 and Three Eleven became a dormant company. Three Eleven was deregistered on October 11, 2021.

On June 26, 2010, the Company established Leatt USA, LLC, a Nevada Limited Liability Company, as our wholly-owned subsidiary and for the purpose of holding Two Eleven Distribution, our wholly-owned subsidiary. However, as of the date of this annual report the Company had not moved forward with its original plan and Leatt USA remains dormant.

Settlement Agreement

As consideration for their founding of the Company's operations in South Africa, we agreed to issue 20,000,000 shares of our common stock, and 19,200,000 shares of our preferred stock to Dr. Leatt, 5,000,000 shares of our common stock and 4,800,000 shares of our preferred stock to Jean-Pierre De Villiers, and 50,000 shares of our common stock to Ervian Jarrett. We issued the common stock to Dr. Leatt, Mr. De Villiers and Ms. Jarrett in accordance with the agreement, but we did not issue any preferred shares to Dr. Leatt or Mr. De Villiers. On September 25, 2008, in settlement of our obligation to issue Dr. Leatt and Mr. De Villiers shares of preferred stock, we entered into a Settlement Agreement with them, pursuant to which they agreed to release us from any and all liability arising out of or related to our failure to satisfy our prior obligation to them, and we issued 16,800,000 shares of our common stock and 2,400,000 shares of our Series A Preferred Stock to Dr. Leatt, and 4,200,000 shares of our common stock and 600,000 shares of our Series A Preferred Stock to Mr. De Villiers. The Series A Preferred Stock entitles Dr. Leatt and Mr. De Villiers to one hundred votes for each share of Series A Preferred Stock held (voting with the common stock as a single class). The Series A Preferred Stock converts into common stock, on a one-for-one basis, has a liquidation preference equal to $0.001 par value per share and is redeemable by us at $0.001 par value per share upon the occurrence of specified events, but it is subject to transfer limitations and it does not entitle Dr. Leatt and Mr. De Villiers to dividends. On September 20, 2012, we effected a 1-for-25 reverse stock split which reduces the foregoing issuances on a 1:25 ratio.

Our Corporate Structure

The following chart reflects our organizational structure as of the date of this annual report.

Our corporate headquarters are located at 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7550. Our telephone number is +(27) 21-557-7257. We maintain a website at www.leatt.com that contains information about our Company, but that information is not incorporated into, or otherwise considered a part of, this annual report.

Our Industry and Market Trends

Off-Road Motorcycle Market

Our products have their roots in the off-road motorcycle market. Our revolutionary neck brace was invented by Dr. Leatt to protect from catastrophic neck injuries after he witnessed the death of a fellow off-road motorcycle rider the weekend after his son's riding debut. As a result, our original products target participants in off-road cycling activities such as BMX racing and downhill racing.

We believe that we have gained our market share largely due to the innovation and quality of our products, the growth of the market, our increased marketing efforts, and our steps to secure our international patents and protect our patents from infringement.

Downhill and Cycling Market

We design and sell neck braces, helmets and protective gear for the downhill and cycling market. We entered this market focusing on downhill cycling, which requires a full-face helmet. We have since expanded our protective gear range to address the needs of mountain biking and BMX riders. The downhill and cycling market is now our second largest market.

Other Recreational Markets

We also design and sell neck braces for use by participants in other recreational sports such as ATV, go-kart, snowmobile users and participants in other sports where a full-face helmet should be worn. As a result, our overall performance in the market is also affected by the performance of these industries, especially in jurisdictions where the use of helmets is compulsory.

Our Products

The Company designs, develops, distributes and markets protective gear, parts and accessories. The Company currently markets its products under the two main categories addressing the two main markets, namely bicycle and powersports. The Company began the process of changing its naming convention of its motorcycle range of products from GPX to Moto and the bicycle range of products from DBX to MTB during 2020.

Neck Braces

The Leatt-Brace® is a prophylactic neck bracing system composed of various combinations of carbon fiber, glass fiber, polycarbonate or Glass Filled Nylon, which was designed to help prevent potentially devastating sports injuries to the cervical spine (neck). The first Leatt-Brace® was designed for motorcycle, high speed motor vehicle and ATV use, where there is little means of protecting the neck in the event of an accident, but the Leatt-Brace® has been designed in such a way as to offer neck protection to all who utilize a crash helmet as a form of protection, including soldiers, law enforcement officers and other professionals whose activities could result in cervical spine injury.

The latest range of Neck Braces are designed for both the powersports market and bicycle markets, includes the Neck Brace 6.5 which is a full carbon brace, Neck Brace 5.5, which is fully adjustable, the Neck Brace 5.5 Junior, which is fully adjustable and designed for junior riders, the award-winning Neck Brace 3.5, which is competitively priced, and the Neck Brace 3.5 Junior, designed for junior athletes at a very competitive price.

Furthermore, there is a range of SNX models under the powersports category. These neck braces are designed for snow mobile riders, which includes the SNX 5.5 and Neck Brace SNX trophy. These neck braces feature the AFC - Arctic Fusion Compound-designed for extreme temperatures.

The range of STX neck braces are designed for street commuters and includes the ultra-light carbon Neck Brace STX RR and Neck Brace STX Road.

The Fusion is a unique invention that combines neck, chest, back, flank and shoulder protection in one piece of body armor for powersports enthusiasts. This product combines Leatt-Brace® technology together with CE certified back, shoulder and chest impact protection. The Fusion models include the Fusion 3.0, which incorporates hard shell and 3DF AirFit ventilated soft impact foam to protect riders, the Fusion SNX 3.0, which is designed specifically for snowmobile riders and is made from a special blend referred to as Arctic Fusion Compound (AFC™), this material is designed to withstand extremely cold conditions, and the Fusion 2.0 Junior which is designed for junior athletes.

Another product found under the neck brace category is the Neck Brace Kart, specifically designed for go-kart riders. This neck brace features a special Kart angle for improved function and fit. It features bio foam lycra padding and has fully adjustable front and rear tables.

The Company offers various versions, sizes and colors of these products to appeal to different clients and to address different price points. All these neck braces are CE certified as Personal Protective Equipment 89/686/EEC. To view a detailed listing of these products please see our website; www.leatt.com .

Helmets

In 2015 the Company launched its helmet range and commenced shipment with a limited helmet range. The Company expanded its off-road helmet range in 2016 to include two junior helmets and its award-winning MTB range for downhill and BMX bicycle use. The Company currently sells various models of helmet products which the Company believes redefines head and brain protection with its groundbreaking 360-degree Turbine technology for concussion and brain rotation safety. These helmets offer superior head and brain protection in a shell that is smaller, very lightweight, and super-ventilated, even at low speeds.

The Moto helmet range, designed for off-road motorcycle riders, consists of the Moto 9.5 Carbon Helmet, which is the latest premium carbon shell helmet in the range, Moto 8.5 Helmet which is a race-ready, composite shell, lightweight and super-ventilated helmet, and Moto 7.5 Helmet which has a lightweight, super-ventilated injected polymer compound shell. All these latest helmets meet DOT and new 2021 ECE 22.06 standards. Lastly, the Moto 3.5 Helmet is a polymer helmet with 360-degree turbine technology at a competitive price point, and the Moto 3.5 Junior Helmet, which is a polymer helmet designed for young riders at a competitive price point.

The MTB helmet range consists of the premium Helmet MTB Gravity 8.0, which is a well-ventilated composite helmet made specifically to suit downhill and BMX riders' requirements which has passed Motorcycle ECE standard and ASTM certified, the Helmet MTB Gravity 4.0, which is a DH certified lightweight polymer shell with maximized ventilation, the Helmet MTB Gravity 1.0, which is a polymer helmet with 360-degree turbine technology at a competitive price point, and the Helmet MTB Gravity 1.0 Junior which is a helmet with downhill certified ASTM junior shell designed for young riders at a competitive price point.

The MTB helmet range also has helmets designed for Enduro rider's requirements: the Helmet MTB Enduro 4.0, which has a DH certified lightweight polymer shell with removable chin bar with easy-fit attachment system, and the Helmet MTB Enduro 3.0, which is a lightweight polymer shell with removable chin bar.

The Company also has a range of half shell helmets for off-road cyclists which incorporates the 360-degree Turbine technology for concussion and brain rotation safety. The Helmet MTB All-Mountain 4.0, this helmet is the premium lightweight polymer half shell helmet with in-molded EPS and EPO impact foam for superior energy absorbtion, the Helmet MTB All-Mountain Helmet 3.0, which is a half shell polymer compound helmet for cyclists, the Helmet MTB Trail 3.0, is a new lightweight all-purpose MTB helmet with PowerBridge in-molded force absorber is designed for trail riding, cross country training and back country or gravel adventures, the Helmet MTB Trail 2.0, is a lightweight polymer shell with MaxiFlow impact foam air channels, the Helmet MTB All Mountain 1.0, which is the most competitively priced helmet in this range which offers protection around the head and a deeper rear coverage, and the new Helmet MTB All-Mountain 1.0 Junior, is the lightweight junior helmet at a competitive price which offers protection around the head and a deeper rear coverage.

The Company introduced the Helmet MTB Urban 1.0 designed for riding on the busy streets which incorporates 360-degree Turbine technology for concussion and brain rotation safety and has now extended the range to include a junior offering, the Helmet MTB Urban 1.0 Junior.

The Company offers various versions, sizes and colors of these products to appeal to different clients in different disciplines and to address different price points. All our helmets have achieved CE certification when necessary. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063, for the UK market our motorcycle helmets comply with ACU Gold and for the Japanese market our Moto 3.5 helmet complies with JIS T 8133. To view a detailed listing of these products please see our website: www.leatt.com.

Body Armor

In 2010, we launched the Leatt body armor range with our introduction of the Leatt Adventure Chest Protector, a hard-shell chest protector. The following year we introduced junior protectors, body vests and full body protectors. Since then, we have further extended our range to include more body protectors and vests, back protectors, elbow guards, knee guards, impact shorts and cooling vests. These products come in a variety of soft- and hard-shell options for both adult and junior riders. Our expanded body armor product range has also gained us entry into new markets.

In 2014, we expanded into shoulder and knee-brace markets with the addition of our shoulder brace and C-Frame knee brace to our range of body protection products. In the 2015 first quarter our Knee Brace was accepted for registration by both the United States Food and Drug Administration (FDA) and the UK's Medicine and Healthcare Regulatory Products Agency (MHRA), and our Shoulder Brace was accepted by the FDA, as Class 1 Medical Devices. FDA and MHRA registration allows us to take these products directly to market as medical devices for patients (not just athletes) recuperating from injuries, surgery, muscle tears or strains, dislocations, breaks or fractures. The Company has expanded its knee brace range to include the Knee Brace C-Frame Pro Carbon, which is the premium knee protection in the range, the Knee Brace X-Frame, which is injected carbon cage-type knee protection, the latest addition X-Frame Hybrid knee brace which includes a sleeve with Airflex impact gel knee cup with hard shell for ultimate knee brace comfort and the Knee Brace Z-Frame, which is a glass-filled nylon knee protection product at a competitive price point. The Company has expanded the junior knee-brace range to include the Knee Brace C-Frame Junior and Knee Brace Z-Frame Junior which is designed for younger athletes.

In 2019, we launched our new innovative 5.5 FlexLock Boot range, consisting of the 5.5 Flexlock Boot and the 5.5 Flexlock Enduro Boot. These Boots are designed to be an essential part of any rider's motocross riding kit. Our Boots feature the SlideLock system for an outstanding first-class fit, a low-profile toe box for easy gear shifting, and an incredible FlexLock system that is proven to reduce ankle forces by up to 37% and knee forces by up to 35% upon impact, when compared to an industry leading competitor boot. The latest additions to the range are the 4.5 Boot and the 4.5 Enduro Boot, both of which include a SlideLock system, auto-locking one way sliding closure for great seal at top of boot, extended foot peg riding zone for arch and on the toes riding style, and a reinforced steel shank. All boot ranges are CE tested and certified and are available in a range of colors.

In 2020, we launched the latest new product category, our MTB shoes. The range includes three styles of shoes with the ClipGrip SPD channels. The newest addition to the range is the Shoe 6.0 Clip, this is a lightweight trail shoe with ATOP lace system, the Shoe 5.0 Clip, with 3-layer waterproof breathable fabric and concealed speed lace compression system, the Shoe 4.0 Clip, which is designed for all-weather enduro and downhill riders. Furthermore, the range includes three MTB shoes with the FlatGrip technology, namely, the premium Shoe 3.0 Flat and the Shoe 2.0 Flat, both of which are designed to satisfy any rider's needs and incorporating FlatGrip sole technology with optimized grip pattern and mudflow channels. The last style in this range is the Shoe 1.0 Flat which is a comfortable sneaker sole with great pedal compatibility at a competitive price. The Company also recently introduced MTB shoes designed for female and junior riders. The Shoe 5.0 Clip Women and Shoe 3.0 Flat Women has the same features as the men's offering but is sized and styled for the female consumers. The Shoe 2.0 Flat Junior features the same FlatGrip Sole with optimized waffle grip pattern and mud flow channels designed for junior riders.

Our team is committed to consistently updating and refining these products based on consumer feedback and demand on an annual basis. The Company offers various versions, sizes and colors of these products to appeal to different clients in different disciplines and to address different price points. All our products have achieved CE certification when necessary. To view a detailed listing of these products please see our website: www.leatt.com .

Other Products, Parts and Accessories

Goggles

In 2019, we launched our Leatt Goggle range, developed with WideVision anti-glare, anti-fog technology and bullet-proof tested to military ballistic standards for durability. The goggles also feature a detachable nose piece for multi-purpose use, easy clip-in / clip-out and self-draining frames, and nine anti-fog lenses that provide the same fit for the entire line-up, ranging from 20-83% Visible Light Transmission (VLT). Our full range of goggles consists of three types of goggles in a variety of colors that are designed to function in all conditions.

Leatt Apparel Range

The Leatt Apparel Range is the fastest growing product category in the Leatt range of products. In 2015, we introduced a new product category of gloves to our apparel products and expanded our offering of cooling apparel products. We have since added a variety of apparel products for off-road motorcycle riders and bicycle riders, including jackets, jerseys, pants, shorts, socks and gloves. All products in this range come in a variety of trendy colors and are designed in line with the latest international fashion trends. We are continuously expanding our range to appeal to a wider range of consumers.

Casual Clothing and Accessories

We also sell a variety of casual clothing and caps which we have expanded to include sunglasses. We sell accessories that complement our expanding range of products including toolbelt bags, duffel bags, gear bags, helmet bags, hats and hydration kits. The products are designed in line with the latest international fashion trends.

Spare Parts

We also provide aftermarket support to users of our protective products primarily for the replacement of worn or damaged parts through our global distribution network. The nature of many of our products is such that certain components collapse and fail in a controlled mode to help prevent further bodily injury. As such, specific parts of a product or the entire product may need to be replaced after a significant impact.

Our team is committed to consistently updating and refining these products based on consumer feedback and demand on an annual basis. To view a detailed listing of these products please see our website: www.leatt.com.

Accolades

The Leatt products have won a series of awards and accolades since 2007, including the following**:**

- *Motocross Action*: Leatt-Brace GPX awarded 5/5 Star Product Rating (2007) and Decade's Most Significant Product (awarded by an industry magazine based on comfort, fit and safety)
- *Transworld MX*: Editors' Choice-Leatt Brace Adventure awarded Best New Product of Year (2009) (selected by editors of an industry magazine with no published criteria)
- *ISPO Brandnew Awards*: Leatt-Brace DBX awarded Best Protection at Bike Expo (2010) (Bike Expo is an annual gathering of industry participants)
- *Transworld MX*: Leatt GPX Pro Best Product of the Year (2011) (selected by editors of an industry magazine, based on comfort and safety)
- *Motocrossgear.com*: Perfect Score to New 2012 Leatt-Brace Chest Protector Adventure Pro (selected by an industry website, based on looks, comfort and safety)
- *Transworld Motorcross Magazine*: Chest Protector Leatt Pro Lite was awarded "Product of the Year" for 2012 (selected by editors of industry magazine based on testing and looks)
- *PPS Moto:* This Motocross Product review website awarded the Company the 2014 PPS Moto Protective Gear Company of the Year Award.

- *Mountainbike Magazine*: The Leatt F4 Hydration System won the Design and Innovation Award for 2015. The product was chosen from over 100 brands and vetted by an international jury featuring top athletes, including Enduro World Series Winner, Nico Lau.
- *2015 Vital MX Audience Survey*: The Leatt Neck Brace was voted the number one Neck Brace to buy in the Vital MX Audience Survey.
- *Design & Innovation 2016 Awards:* The Leatt DBX 5.0 Composite Helmet won a Design and Innovation Award for 2016. The Design & Innovation jury of bicycle industry experts seeks to recognize bicycles and bicycle products.
- *Design & Innovation 2016 Awards:* The Leatt DBX Enduro Lite WP 2.0 won a Design and Innovation Award for 2016. The Design & Innovation jury of bicycle industry experts seeks to recognize bicycles and bicycle products.
- *Decline Magazine:* awarded Leatt Knee Guards a five-star rating based on the products' fit, impact testing, breathability and overall appeal (July 2016).
- *Eurobike Award 2017:* In 2017, the Leatt DBX 3.5 neck brace won a Eurobike Award. Eurobike is the world's leading trade fair where international bike industry exhibitors present their products and services. The prestigious Eurobike Award honors innovative products and is a highlight of the annual exposition.
- *Interbike Innovation 2017 Award Winner*: The Leatt DBX 3.5 neck brace was named an Interbike Innovation Award winner in 2017. The Interbike International Bicycle Exposition is the largest bicycle industry trade event in North America and their awards are aimed at recognizing excellence and innovation in product, retail and advocacy.
- *Mountain Bike Magazine 2017 Editor's Choice Innovations Category Winner:* In 2017, the Leatt DBX 3.0 helmet was one of ten winners in the Editor's Choice Innovations category reserved for innovations that the Editors believe most shaped the mountain bike world during the prior year.
- *The MTB Lab Best of 2017 Award:* In 2017, The MTB Lab, an online publication on mountain bikes and outdoor gear, named the Leatt DBX 3.0 All-Mountain Helmet one of the best products for 2017.
- *2017 Crankjoy Gear of the Year:* The Leatt DBX 3.0 helmet was listed by the Editors of Crankjoy, an online publication on mountain bike lifestyle and gear, as among its favorite riding gears for 2017.
- *Design & Innovation 2018 Awards:* In 2018, the Leatt DBX 2.0 Helmet and the Leatt DBX 3.5 Neck Brace won a Design and Innovation Award. The Design & Innovation award is granted by a jury of bicycle industry experts in recognition of the best bicycles and bicycle products.
- *2018 Powersports Business Nifty 50 Award:* In 2018, the Leatt GPX 4.5 Helmet and the Leatt GPX 3.5 Neck Brace was awarded the Nifty 50 Award by the editors of Powersports Business, an industry publication that selects aftermarket products and services that they believe will help boost dealer profitability. To be eligible for the 2018 award, products had to be new or substantially improved from previous years and be ready for delivery in calendar year 2018.
- *Interbike Innovation 2018 Award Winner*: Leatt DBX 4.0 Helmet was named an Interbike Innovation Award winner in 2018. The Interbike International Bicycle Exposition is the largest bicycle industry trade event in North America and their awards are aimed at recognizing excellence and innovation in product, retail and advocacy.
- *Design & Innovation 2019 Awards:* In 2019, the Leatt DBX 4.0 Helmet won a 2019 Design & Innovation Award. The Design & Innovation award is granted by a jury of bicycle industry experts in recognition of the best bicycles and bicycle products.
- *2019 Vital MX Audience Survey:* The Leatt Neck Brace was voted the number one Neck Brace to buy in the Vital MX Audience Survey.
- *2019 Racer X Readers' Choice Award:* The number one worn Neck Brace.
- *2020 Gear Of The Year Award:* The Moto 9.5 Helmet was named 2020 Gear of the Year award by German Cross Magazine. The award winner is selected on an annual basis by the Editors of the magazine.
- *2020 Racer X Readers' Choice Award:* The number one worn Neck Brace.
- *2020 Vital MX Audience Survey:* The Leatt Neck Brace was voted the number one Neck Brace to buy in the Vital MX Audience Survey.
- *Design & Innovation 2021 Awards*: In 2021, the Leatt 4.0 Velocity Goggles won a Design and Innovation Award. The Design & Innovation award is granted by a jury of bicycle industry experts in recognition of the best bicycles and bicycle products.

- *2021 Powersports Business Nifty 50 Award:* This year the Leatt X-Frame Hybrid Knee Braces was awarded the Nifty 50 Award by the editors of Powersports Business, an industry publication that selects aftermarket products and services that they believe will help boost dealer profitability. To be eligible for the 2021 award, products had to be new or substantially improved from previous years and be ready for delivery in calendar year 2021.
- *Mountain Biking UK Magazine:* The Airflex Stealth Body Tee was selected as the winner of the "6 of the Best Body Protection" (October 2021).
- *2021 Racer X Readers' Choice Award:* The number one worn Neck Brace.
- *2022 Powersports Business Nifty 50 Award:* In 2022, the Leatt 8.5 Moto Helmet Kit was awarded the Nifty 50 Award by the editors of Powersports Business, an industry publication that selects aftermarket products and services that they believe will help boost dealer profitability. To be eligible for the 2022 award, products had to be new or substantially improved from previous years and be ready for delivery in calendar year 2022.

We believe that the premium quality of Leatt-Brace® products has resulted in increased sales since inception. We have sold in excess of 900,000 units of Leatt-Brace® products worldwide to date.

Manufacturing

Our products are predominately manufactured in China in accordance with our manufacturing specifications, pursuant to outsourced manufacturing arrangements with third-party manufacturers located there based on agreed terms. We are also building manufacturing capacity outside China, namely, in Thailand and Bangladesh. We do not currently have written agreements with our neck brace third-party manufacturers but will include any such future written agreement with our periodic filings. We offer warranty on our products based on the legal requirements of the specific geographical region that our customers reside in. Products purchased through international sales are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents.

Upon our determination of order quantities, we issue periodic purchase orders for products to our third-party manufacturers at negotiated prices. A security deposit of between 10 - 30% of the total purchase order value is made with such manufacturers upon receipt of a manufacturer's invoice reflecting quantities ordered and the negotiated price for the products. The standard lead time from purchase order date to ship-ready date is 80-110 days, and our standard supplier shipping terms are FOB (Port).

During production, we measure the manufacturer's quality and on-time performance to determine whether to continue our relationship. We utilize outside consultants and our own employees to ensure the quality of our products through regular on-site product inspections. Such quality inspections are conducted in conformance with ISO/IEC 17025 specifications at the manufacturer's premises and penalties are levied against a manufacturer if any delay in shipment to customers or customer rejection or non-acceptance is caused by quality issues. The balance of open invoices is paid to the manufacturer four to six weeks after successful inspection.

Raw Materials and Suppliers

Our products are manufactured from generally available engineering materials, such as thermoset carbon fiber, glass fiber reinforced nylon and high impact polycarbonate resin. The cost of materials used in our products varies depending on the target market for, and the price of, our products. The prices of these raw materials are determined based upon prevailing market conditions, supply and demand, and global conditions may impact the supply of these raw materials and adversely affect the supply of our products. We have not experienced any significant interruptions to our production due to shortage of our raw materials.

Our third-party manufacturers arrange for the purchase of most of the raw materials that are used to manufacture our products and they pay for the cost of such materials. We may occasionally directly source and pay for highly specialized protection materials, for use in the production of our products. These protection materials are generally available. We also occasionally acquire raw materials on behalf of a third-party manufacturer in order to secure and maintain a specified production capacity. The expenses incurred for such materials for the years ended December 31, 2021 and 2020, were not material and we do not foresee these amounts being material in the near future.

We have implemented certain protocols to check the quality of raw materials used in the production process. Our third-party manufacturers are required to perform prescribed strength testing on critical parts of certain products. In addition, certain materials are tested by our research and development employees at Leatt SA and by independent material laboratories for compliance to manufacturing and material specification.

Our Customers

Leatt earns revenues through the sale of its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by certain international brands. Leatt sells its products directly to dealers in South Africa (through Leatt SA), in the USA (through Two Eleven), and through a network of approximately 55 third-party distributors worldwide. Our distributors are required to follow certain standard business terms and guidelines for the sale and distribution of our products. Two Eleven also sells our products directly to consumers through our online store available at www.leatt.com.

Products purchased through international sales are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when shipping terms are Free on Board (FOB) shipping point, Cost and Freight (CFR) or Cost and Insurance to named place (CIP) as legal title and risk of loss to the product pass to the customer.

We generate revenue both in the United States and internationally. For the years ended December 31, 2021 and 2020, annual revenues associated with international customers were $52,337,504 and $24,670,072, or 72% and 64% of total revenue, respectively.

We have derived a significant portion of our revenue from a limited number of customers, however none of our customers account for more than 10% of our consolidated revenues for the year ended December 31, 2021. For the years ended December 31, 2021 and 2020, our largest customer accounted for approximately 10% and 9% of our annual U.S. revenue, respectively. As of December 31, 2021, and 2020, $254,477 and 2% and $199,808 or 3% of our accounts receivable, was due from this customer.

For both years ended December 31, 2021 and 2020, our international revenue derived outside of the U.S. was earned from one customer that accounted for approximately 10% and 9% of our annual international revenue. As of December 31, 2021 and 2020, $1,273,532, or 10% and $421,976 or 6% of our accounts receivable, was due from this international customer.

Advertising and Marketing

Initially we gained market recognition through customer word-of-mouth and then subsequently through third-party articles and reviews of the Leatt-Brace® in motorcycle and racing magazines with unsolicited and unpaid endorsements from current and former celebrity motocross (and other) riders supporting these sports, but we now implement global marketing campaigns that incorporate web and print based advertising, social media engagement, sponsorship of sporting events and athlete sponsorships that are designed to promote the Company's growing product range and consumer brand on a global basis by increasing product and brand visibility.

We believe that, as a result of our marketing efforts, and based on our internal marketing estimates, we have approximately 854 active distributors and dealers who stock Leatt products in the U. S. and approximately 250 active dealers in South Africa. We expect that the number of our distributors and dealers will also grow as the market segments that we sell to and our product offering grows but we cannot guarantee that this will be the case.

Our advertising and marketing expenses for the years ended December 31, 2021 and 2020 were $2,170,788 and $2,167,445, respectively, representing approximately 3% and 6% of our revenues, respectively.

Our Growth Strategy

We are committed to growing our business in the coming years. The key elements of our growth strategy are summarized below:

- *Regional Distribution*. Our product range has attracted the interest of global retailers and distributors of protective gear for motor and extreme sports, as well as motorcycle manufacturers and racing teams. The resultant interest and the expected demand for our products prompted us to change our production and distribution strategy in order to cater to this demand. In November 2007, we established Two Eleven, our wholly owned California subsidiary, to manage and control the distribution of our products, particularly in the United States. We distribute products to international consumers through a network of international third party distributors who are selected by our management team based on their financial status, distribution abilities and creditworthiness, their location in major geographic territories, their marketing and media presence and their portfolio of leading motorcycle brands and accessories as well as their reputation among industry players. We are working on developing our bicycle distribution network throughout the world by appointing new distributors and dealers with a specific focus on the bicycle market. We believe that regional distributors will better promote our products in the designated regions and expand our global customer base. In the U.S. we are expanding and upgrading our dealer network and sales management team.

- *Strategic Alliances*. We are actively researching and evaluating strategic alliances that will enable the Company to grow into markets outside of its core markets in an efficient manner. We are also working with our OEM partners to develop more mutually beneficial, sustainable, long-term relationships in line with the Company's goals.
- *Industry Accreditation and Endorsements.* We are pursuing accreditation and endorsements of our products from global motor sports governing and homologation bodies as well as industry organizations. We believe that these accreditations and endorsements will increase sales of our products and solidify our position as a leader in safety products. Should neck protection in two wheeled sports become compulsory we believe that such accreditations and endorsements will additionally increase our sales.
- *Developing Brand Awareness and Brand Loyalty.* We are continuing with our efforts to develop brand loyalty by refining our marketing strategy and by engaging in more targeted communication with current and potential consumers of our products. We are working to build loyalty among more consumers in our core bicycle and moto markets by introducing more price points for our products and addressing more consumer needs in more segments, while remaining true to our mission-pioneering functional safety gear.
- *Expanding our Portfolio of Products*. We are always looking for opportunities to introduce new products to reach a wider audience and penetrate new markets. This will include extending our product range to include both innovative protection products as well as peripheral or accessory products such as clothing. In the 2015 first quarter our Knee Brace was accepted for registration by both the United States *Food and Drug Administration* (FDA) and the UK's *Medicine and Healthcare Regulatory Products Agency* (MHRA), and our Shoulder Brace was accepted by the FDA, as Class 1 Medical Devices. FDA and MHRA registration allow us to take these products directly to market as medical devices for patients (not just athletes) recuperating from injuries, surgery, muscle tears or strains, dislocations, breaks or fractures. In 2015, we launched two additions to our body armor product range, namely helmets and gloves. We also added two full apparel lines to our product range, one line designed for the off-road motorcycle market and the other designed for the bicycling market. In 2019, we added motorcycle Boots and Goggles to our range which has made the company a head-to-toe brand for motorcycle protection. In 2020, we added cycling shoes to our product range, which has made the company a head-to-toe brand for bicycling protection. We expect that our sales of peripheral products and accessories will increase in line with increased brand awareness.

Our Research and Development Efforts

Our Chairman and Founder, Dr. Christopher Leatt, is our primary research and development consultant and heads the research and development efforts conducted at our research facility, or Leatt Lab, located at our executive headquarters in Cape Town, South Africa. The facility houses a team of a biomedical engineer, consultants and designers who ensure products are scientifically and mechanically sound. This facility features state of the art testing and prototyping equipment and sophisticated simulation models. Leatt also utilizes other consultants, academic institutions and engineering companies from time to time to assist us with our research and development efforts.

We believe that the development of new products and new technology is critical to our success. We are continuously working to improve the quality, efficiency and cost-effectiveness of our existing products. All our products have achieved CE certification when necessary. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063. For the UK market our motorcycle helmets comply with ACU Gold. For Moto 3.5 helmets comply with JIS T 8133 for the Japanese Market and for the Brazilian market our Moto 7.5 and Moto 3.5 helmets complies with NBR 7471. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model Moto 7.5 to the CCC standard in China.We are working to develop technology to expand our range of products with further innovation, comfort, ergonomics and market appeal. We believe that our scientific and medical approach to product development gives our products a competitive edge.

Our research and development expenses for the fiscal years ended December 31, 2021 and 2020 amounted to $1,826,846 and $1,522,758, respectively. These expenses included salaries for research and development employees as well as other direct product development and research costs.

Competition

We compete with a small number of dominant competitors in the neck brace and body protection market, some of whom have substantially greater financial and other resources than we currently have. According to the 2021 Racer X Readers' Choice Survey discussed elsewhere herein and available at https://rx.iscdn.net/media-kit/2022/01/268_2021-readers_-choice-survey-results.pdf , our major competitors in the neck brace market is Atlas Brace USA, LLC, Alpinestars S.p.A and EVS Sports; our major competitor in the knee brace market is EVS Sports; and our major competitor in the body protection, apparel and helmet market is Fox Racing.

Competition is based on quality, price, reputation, industry endorsements and certifications, as well as, on product design, brand names, marketing support and distribution strategies. We believe that our products can be distinguished from the products offered by our competitors due to the fact that our products are innovative, safety tested, versatile, aesthetically appealing, priced competitively and comfortable without compromising quality and performance.

Our Competitive Strengths

We believe that our competitive strengths include the following:

- *Intellectual Property.* Both our patents and licensed patented technology allows us to provide a product that cannot easily be duplicated by our competitors. We have invested extensive resources to patent our products worldwide and have taken legal action to protect our intellectual property rights from infringement.

- *Diverse Multi-Cultural Skilled Management Team*. Our management team is knowledgeable and experienced in the personal protective equipment industry, sports medicine and business development. Our executive corporate management team consists of Mr. Sean Macdonald, Dr. Christopher Leatt, Mr. Erik Olsson and Mr. Todd Repsher. Mr. Macdonald is our Chief Executive Officer, Chief Financial Officer, President and Director, and is a Chartered Accountant with over 15 years' experience in the financial and operational aspects of running sports orientated growth companies. Dr. Leatt is our Founder, Chairman and Research and Development consultant, who developed the Leatt-Brace® from his study of the benefits and viability of a neck protection system for helmet clad sport and recreational users. Mr. Olsson is our General Manager and Head of International Distribution and has served for over 20 years as a Sales and Product Manager for various companies in the power sports industry. Mr. Repsher is our US General Manager, who is an award-winning sales executive with over 15 years' experience in the marketing and sales of sports orientated companies in North America.

- *Sale and Distribution Channels:* Our ability to attract top tier distribution and retail sales channels for the sale of our products is a competitive advantage. These distributors have the financial and distribution resources and relationships to penetrate existing product categories within dealerships and reach a wide geographical dealer network and ultimately consumer base. The Company sells its products to consumers through a global network of approximately 55 global distributors, including the Company's U.S. subsidiary, Two Eleven, and its South African subsidiary, Leatt SA. The Company exercises control over this distribution network through its establishment of standard business terms and guidelines for the sale and distribution of its products to retailers worldwide, and through its direct control of Two Eleven and Leatt SA, the exclusive distributors of Leatt products to retailers in the US and South Africa, respectively. Our research and development and marketing teams also work closely with distributors to educate their sales forces about technical innovations in our products, and to provide support in the marketing and other promotion of our products. We believe that our increase in worldwide sales and our continued expansion into global markets is a testament to the efficiency and effectiveness of our worldwide distribution channels.

- *Outsourced Manufacturing*. We outsource our manufacturing to third-party manufacturers in order to produce large volumes of our products. The manufacturing process remains subject to our strict quality control guidelines safeguarded by our employees and the third-party inspectors who we hire as consultants to ensure that these guidelines are being implemented at the production point. While such manufacturing arrangements pose a risk to our ability to safeguard our proprietary technologies and may lead to increased costs, as discussed under the "Risk Factors" heading in this report, we expect that the increase in expected sales volumes will contribute to a lower production cost per unit and that this will translate to better margins for our distributors and retailers.

- *Research, Development, Certification and Marketing Capabilities*. We have in-house know-how in the areas of product development, testing and accreditation, particularly in the field of personal protective equipment. With the experience and capabilities developed and established in taking our product to market, we believe that we are well positioned to develop, manufacture and market additional products. With our medical and mechanical expertise, demonstrated research and development capabilities, established outsource manufacturing capacity, established brand and our dedicated, loyal and enthusiastic distribution network, we believe that we have the components necessary to bring new successful products to market.

- *Industry Accreditation, Testing Standards and Regulations.* We are pursuing accreditation and endorsements of our products from global motor sports governing and homologation bodies as well as industry organizations. We have obtained homologations of our products from various global racing authorities where objective standards have been set and we are in discussions with governing racing bodies, such as the FIM, to have the Leatt-Brace® accredited. Should industry accreditation become compulsory, we would be ahead of our competitors in the marketplace.

- *Brand Recognition*. We believe that public recognition of the Leatt® brand drives the sales of our products, regardless of the action of competitors and competitive products. We expect that the reputation of our brand in the market place, particularly our product testing and applicable CE certification, will continue to ensure market acceptance and facilitate market penetration of our new products. In order to bolster and grow the Leatt® brand, stringent quality control and assurance are our highest priority and our ongoing marketing, advertising and public relations efforts continue to stress the quality, safety and innovation of our products.

Our Intellectual Property

We believe that the continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. Most of these initial intellectual property rights are held by Xceed Holdings, a corporation controlled by our Chairman, Dr. Christopher Leatt and the rest of these rights are held by the Company. We license most of our intellectual property from Xceed Holdings, pursuant to a patent and royalty license agreement, or Licensing Agreement, dated March 1, 2006, between the Company and Xceed Holdings. Under the terms of the Licensing Agreement, we are obligated to pay Xceed Holdings 4% of all our revenues billed and received from the Leatt-Brace®. In addition, pursuant to a separate license agreement between us and Mr. De Villiers, we are obligated to pay a royalty fee of 1% of all our billed and received sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. We also rely on nondisclosure agreements and other methods to protect our intellectual property rights. However, the steps we have taken may be inadequate to prevent the misappropriation of our technology.

Xceed has licensed to us thirty-five utility patents registered in various countries for the Neck Brace with renewal dates ranging from March 2022 to April 2025. Furthermore, we have a license for six European and U.S. patent designs covering various Neck Brace designs, three of which expires between 2023 and 2025, while the remainder has renewals dates in 2022 and 2025.

We hold one South African patent for the shoulder brace with renewal date in 2022, and one South African patent for the Chest protector with renewal date in 2022. We hold knee brace patents in both U.K and Germany and both have a renewal date in 2022. We hold a design patent in Europe for our MTB shoe sole design which is renewable in 2025.

We hold patent applications for goggles in Germany, U.K. and U.S.A. with renewal dates in 2022 and 2024, respectively. In the U.S.A patents are only renewable once the patent has been granted. We hold two goggle design patents granted in Europe both with 2024 and 2025 renewal dates. We hold three goggle design patent applications pending in the U.S.A. We have also filed a new goggle patent application in the U.K. in 2022.

We have patents for the Turbine helmet in Australia, Hong Kong, Germany and the U.K. which all renew in 2022. The European patent application for the Turbine helmet on which the U.K. and German patents are based is opposed. One turbine helmet patent application has been granted in the U.S.A. and we have another patent application pending in the U.S.A. We hold two U.S.A. design patents for our visor screw and hydration system which expires 2031 and 2030, respectively, and one European design patent for visor screw and hydration system is renewable in 2024.

We hold design patents for STX Neck Brace in Japan, Europe and U.S.A. The design patents in Japan and Europe are renewable in 2022 and 2025 and the U.S.A. expires in 2026. We hold a design patent for a Neck Brace sock kit in the U.S.A. which expires in 2024.

We hold a Flexlock Boot patent in U.S.A., U.K., Germany and Italy which are renewable in 2025 and 2022, respectively, and a patent applications is pending in Thailand. We have three additional patent applications for boots pending in U.K., U.S.A. and Germany with renewal dates 2024 and 2023, respectively. We have a boot design patent granted in Europe which is renewable in 2024 and a boot design patent registered in the U.S.A.

We hold three patents for a jacket in Germany, U.K. and U.S.A. up for renewal between 2022 and 2024. We hold patent applications for our hoodies with a magnetic fixture in Germany, U.K. and U.S.A., the patent applications in Germany and U.K. are renewable in 2022.

We hold patent applications in the U.K. for an Airbag Vest and Body Protector, both are renewable in 2025. We hold a design patent application for an NFL product in the U.S.A.

Patents applicable to specific products extend for varying periods according to the date of patent application filing or patent grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. Issued patents or patents based on pending patent applications or any future patent applications may not exclude competitors or may not provide a competitive advantage to us. In addition, patents issued or licensed to us may not be held valid if subsequently challenged and others may claim rights in or ownership of such patents. In addition, the validity and breadth of claims in protective gear technology patents involve complex legal and factual questions and, therefore, the extent of their enforceability and protection is highly uncertain.

We have extensive licensed and registered trademarks. Leatt® is trademarked in Argentina, Australia, Brazil, Canada, Chile, China, European Union, Indonesia, Japan, Mexico, New Zealand, South Africa and U.K. in multiple classes depending on the jurisdiction. These multiple trademarks have renewal dates between 2022 and 2031. Leatt-Brace has been trademarked in China, European union, U.K. and U.S.A. with renewal dates between 2027 and 2031. APLT and Alternative Load Path Technology trademark is registered in U.S.A. in class 9 renewable in 2031 and 2030 respectively. Leatt® has also been trademarked in special script in Brazil with renewal dates in 2022. The Leatt Devices and/or Icons have been trademarked in Brazil, European Union, South Africa, U.K. and U.S.A. with renewal dates between 2022 and 2030 in multiple classes depending on the jurisdiction.

We have expanded our trademark portfolio to accommodate our expending product categories. Brace On® is registered in class 9 in Australia, European Union, U.K. and U.S.A. with renewal dates between 2023 and 2031. RIDEVIZ® is registered in class 9 in Australia, China, European Union, and U.K. and it is still pending in U.S.A. with renewal dates in 2030. RideGrip® is registered in class 25 in China, European Union, and U.K. and it is still pending in U.S.A. with renewal dates between 2030 and 2031. FirstTurn® is registered in class 9 in China, European, U.K. and USA with renewal dates between 2030 and 2031. We have also applied for Ceramag trademark in class 12 in European Union, Taiwan, U.K. and U.S.A. We have applied trademark HYDRADRI in class 25 in European Union, U.K. and U.S.A, it has been granted in the U.K. with renewal date 2031.

From time to time, we have had to enforce our intellectual property rights through litigation, and we may be required to do so in the future. Reverse engineering, unauthorized copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us. We cannot assure you that our competitors have not developed or will not develop similar products, will not duplicate our products, or will not design around any patents issued to or licensed by us. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be.

Our Employees

As of December 31, 2021, we employed 57 full-time employees and 41 independent contractors. The following table sets forth the number of our full-time employees and contractors by function as of December 31, 2021.

Employee Function	Number
Executive	4
Internet & Technology	2
Product Development	14
Marketing	11
Finance	4
Operations and Distributions/Logistics	16
Research and Development/Leatt Lab	3
Legal and Compliance	2
Sales & Customer Services	23
Support Staff (Cleaners)	2
Outside Sales Representatives	17
Total	98

We employ 3 full-time employees who are dedicated exclusively to research, development, and testing. We also utilize consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist us with our research and development efforts where specific and specialized knowledge is needed.

Our Company employs the majority of its employees at its offices in Durbanville, South Africa and Reno, Nevada in the United States. We are required to pay UIF, or unemployment insurance, for each of our South African employees. We are also required to withhold income taxes for our South African and U.S. based employees. We generally provide health care benefits and other standard benefits to our employees. Effective January 1, 2019, we implemented a 401k plan for the benefit of all our U.S. based employees and effective June 1, 2019, we implemented a provident fund for the benefit of all our permanent S.A. based employees.

We value retaining employees long term and developing our human capital which is evident in the length of tenure of many of our most senior personnel. We are continually evaluating our staffing requirements, working conditions, employee benefit programs and compensation packages that include medium and long term incentives through equity compensation plans to retain staff long term. We have established and continue to enhance and refine a comprehensive set of practices for recruiting, managing and optimizing the global human resources of our organization. In many cases, we utilize objective benchmarking and other tools in our efforts. We aim to instill a passion to protect riders around the world with exceptional products in our workforce which provides purpose.

We believe that we maintain a professional and productive working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

Regulations

The 2012 JOBS Act

We qualify as an "emerging growth company," as defined in Title I of the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company is defined as an issuer, including a foreign private issuer, with less than $1 billion of total annual gross revenues during the most recently completed fiscal year. The SEC has interpreted "total annual gross revenues" to mean total revenues as presented on the income statement presentation under U.S. GAAP, which for the Company was $72.48 million for the fiscal year ended December 31, 2021. We will retain our status as an emerging growth company until the earlier of: (1) the fifth anniversary of the date we first sell securities pursuant to an IPO registration statement; (2) the last day of the fiscal year in which we first exceed $1 billion in annual gross revenues; (3) the time we become a large accelerated filer (an SEC registered company with a public float of at least $700 million); or (4) the date on which we have issued, within the previous three years, $1 billion of nonconvertible debt, whether issued in a registered or unregistered offering and whether or not it is still outstanding at the determination date.

The JOBS Act provides scaled disclosure provisions for us, including, among other things: (a) permitting us to include only two years of audited financial statements in a registration statement filed under the Securities Act of 1933 for an IPO of common equity securities; (b) allowing us to comply with the smaller reporting company version of Item 402 of Regulation S-K (Executive Compensation); and (c) removing the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting in accordance with Section 404(b) of the Sarbanes-Oxley Act of 2002. The JOBS Act also exempts us from the following additional compensation-related disclosure provisions that were imposed on U.S. public companies pursuant to the Dodd-Frank Act: the advisory "say-on-pay" vote on executive compensation required under Section 14A(a) of the Exchange Act; the Section 14A(b) requirements relating to shareholder advisory votes on golden parachute compensation; the Section 14(i) requirements for disclosure relating to the relationship between executive compensation and financial performance of the issuer; and the requirement of Dodd-Frank Act Section 953(b)(1), which will require disclosure as to the relationship between CEO and median employee pay.

Under Section 102(b)(1) of the JOBS Act, "emerging growth companies" can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have irrevocably elected not to avail ourselves of this extended transition period for compliance with new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

European Union Directives

Our products are compliant with all applicable harmonized European Union Regulations. Leatt Personal Protective Equipment products are EU Type Certified showing compliance with European Union Personal Protective Equipment Regulation (EU) 2016/425 and/or the Medical Device Regulation (EU) 2017/745 for hybrid PPE/Medical products. The harmonized PPE Regulation (EU) 2016/425 lays down essential health and safety requirements (EHSRs) and leaves it to standards, primarily European harmonised standards, to give technical expression of the relevant requirements contained in the Regulation. For Leatt this includes the Company's Leatt-Brace® and body protection products.

It means that as a minimum these products must comply with: the basic Health and Safety requirements of the PPE regulation; certain chemical innocuousness tests prescribed in EN ISO 13688:2013 "Protective clothing - General Requirements"; and the requirements relating to usage, care, cleaning, sizing and other information to be supplied with the product. Accordingly, all Leatt-Braces®, chest protectors and body protection products are CE certified. Only our peripheral products such as jackets, clothing, and caps are not covered.

In addition to the minimum requirements some products require compliance with the European Standards, or EN (European Norm), specific to certain categories of PPE in order to achieve certification. An EN is a standard that has been adopted by one of the three recognized European Standardization Organizations (ESOs): CEN, CENELEC or ETSI. It is produced by all interested parties (including manufacturers, users, consumers and regulators of a particular material, product, process or service) through a transparent, open and consensus-based process. In the Company's case these are the applicable EN standards: EN 14021 Stone Shields; EN 1621-1 Limb Protectors; EN 1621-2 Back Protectors; EN1621-3 Chest Protectors; EN 21420:2020 Protective Gloves; EN 13594:2015 Protective gloves for motorcycle riders; EN1078:1997 Helmets for pedal cyclists and for users of skateboards and roller skates; EN 13634: 2017 Protective footwear for motorcycle riders; EN1938:2010 Personal eye protection - Goggles for motorcycle and moped users. These standards are more performance related and, among other things, measure the performance of PPE at various intensity levels and under different environmental conditions. They also prescribe product labeling, tests for user comfort and ease of use. Where no specific standards exist in the EU, such as with the neck brace, wrist brace or specialized protective equipment for juniors, the Notifying Body will be responsible for interpreting the requirements based on the intended use and environment, develop appropriated testing protocols and perform the technical evaluation necessary for certification.

The PPE Regulation (EU) 2016/425 is total harmonization and a "New Approach" legislation aligned to the "New Legislative Framework". It lays down essential health and safety requirements (EHSRs) and leaves it to standards, primarily European harmonized standards, to give technical expression of the relevant requirements contained in the Regulation.

FDA and MHRA Registration

In the 2015 first quarter our Knee Brace was accepted for registration by both the FDA and the MHRA, and our Shoulder Brace was accepted by the FDA, as Class 1 Medical Devices. FDA and MHRA registration allow us to take these products directly to market as medical devices for patients (not just athletes) recuperating from injuries, surgery, muscle tears or strains, dislocations, breaks or fractures. The Company's FDA registration included the contract manufacturer of the braces, a Good Manufacturing Practices (GMP) vendor. For the registration period, which currently expires on December 31, 2022 we will be required to maintain logs of complaints or problems, and to provide appropriate labeling for medical uses. We have renewed our registration until December 31, 2022. The MHRA registration of the knee brace is open-ended, subject to the Company's continued monitoring of product performance in the marketplace and delivery of prompt responses to the MHRA as necessary.

Other Accreditation

We have also obtained certifications for our helmets depending on the market, all Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market, our bicycle helmet complies with AS/NZS 2063, for the UK market our motorcycle helmets comply with ACU Gold and for the Japanese market our Moto 3.5 helmet complies with JIS T 8133. For the Brazilian market our Moto 7.5 and Moto 3.5 helmets complies with NBR 7471. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model Moto 7.5 to the CCC standard in China.

We also voluntarily submitted our Moto GPX neck brace to be tested by the in-house engineers of BMW Motorrad (Germany) and to be reviewed by KTM (Austria). We believe that such testing, while not mandatory, provides validation for our product's performance.

Environmental Matters

Our products are primarily designed for outdoor use and unseasonable weather or physical changes associated with climate change could lead to increased expenses and a reduction in our sales revenue. Unseasonable weather and prolonged, extreme temperatures, such as hurricanes, winter storms, earthquakes, floods, heatwaves, and other natural disasters may affect consumer participation in outdoor sporting activities and adversely impact their demand for our products. In addition, severe weather could disrupt the operation of our facilities and cause service outages, production delays and property damage that require us to incur additional expenses. Such weather conditions may also affect our ability to deliver our products to our customers or may require them to close certain stores temporarily, thereby reducing sales. As a result, unseasonable weather in any of our markets could negatively impact our net revenues.

Legal and regulatory developments related to climate change or other initiatives could also potentially increase costs and affect our ability to deliver our products. We have begun to utilize eco-friendly and sustainably sourced materials for the packaging of our products, and have recently introduced a new range of MTB products made from biodegradable, plastic-free materials that maintain their high-performance edge and durability. We are continually considering steps to sustainably reduce the Company's carbon footprint and we are currently working with an environmental certification body to reduce the impact of our manufacturing on the environment. There were no material capital expenditures for environmental matters in the year ended December 31, 2021.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section entitled "Special Note Regarding Forward-Looking Statements" above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

RISKS RELATED TO OUR BUSINESS

Our business and financial performance may be adversely affected if our information technology systems fail to perform adequately or if they are the subject of a security breach or cyberattack.

We are a multinational company and rely on a variety of information technology systems in the ordinary course of business to manage business data, communications, supply chain, order entry and fulfilment, customer support, billing and payments. Our system and processes are potentially vulnerable to cybersecurity incidents, such as terrorist or hacker attacks, the introduction of malicious computer viruses, ransomware, falsification of banking and other information, insider risk, or other security breaches, including individual or advanced persistent cyber-attacks on our information technology infrastructure and attempts by others to gain access to our proprietary or sensitive information regarding our employees, suppliers and customers.

If there is a cybersecurity incident, we may suffer interruptions to our business and service, loss of assets or data, or reduced functionality, which could materially adversely affect our financial condition, business and results of operations. Many of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality a cybersecurity incident could cause. Security breaches of our systems which allow inappropriate access to or inadvertent transfer of information and misappropriation or unauthorized disclosure of confidential information belonging to us or to our employees, customers, or suppliers could have an adverse impact on our results of operation. If a customer, supplier or employee alleges that a cyberattack caused or contributed to a loss or compromise of critical information, we could face significant harm to our reputation and financial condition. Any remedial costs or other liabilities related to information security system failures and cybersecurity incidents may not be fully insured or indemnified by other means.

While we attempt to mitigate cybersecurity risks by employing a number of proactive measures, including, technical security controls, enhanced data protection, advanced intrusion detection, targeted threat protection and maintenance of backup and protective systems, our systems remain potentially vulnerable to cybersecurity threats, any of which could have a material adverse effect on our business. We believe our mitigation measures reduce, but cannot eliminate, the risk of a cybersecurity incident. Despite any precautions we may take, a cybersecurity incident could harm our reputation and financial condition and cause us to incur legal liability and increased costs to respond to such events. Our cyber liability insurance may not be sufficient to compensate us for losses that may result from interruptions in our services or asset or data loss as a result of cybersecurity incidents.

Global economic turmoil could negatively affect our domestic and international sales, results of operations, and financial condition.

Prolonged turmoil in the global economy, especially in the U.S., South America and Europe, could have a negative impact on our business and our financial condition. Economic uncertainty in many parts of the world, including uncertainty caused by international trade disputes involving the European Union, China and the United States, and by global business closures designed to limit social contact and reduce spread of the COVID-19 pandemic, are situations that we are monitoring closely. Our exposure to such risks may further increase if any of these economic conditions impact levels of consumer spending. While we do not expect to see any significant material adverse impact of COVID-19 on our distribution channels (discussed elsewhere in this report), temporary business closures and social distancing around COVID-19 may have a negative impact on consumer purchasing behavior, which could cause delays in, or even cancellation of, orders from our distributors. If demand for our products fluctuates as a result of these economic conditions or otherwise, our revenue and gross margin could be harmed.

Our international business is especially sensitive to economic uncertainty that may affect our ability to conduct business outside of the U.S. For the years ended December 31, 2021 and 2020, annual revenues from sales to international customers were $52,337,504 and $24,670,072, or 72% and 64% of our total revenue, respectively. Although there is more certainty regarding the outcome of BREXIT due to the withdrawal agreement that was concluded between The European Union and the United Kingdom on January 24, 2020, we continue to evaluate the potential effect of the United Kingdom's (UK) departure from the European Union (EU) (commonly referred to as "Brexit") on our business operations and financial results. We anticipate that Brexit may have adverse tax effects on movement of products or sustainment activities between the UK and EU. Additionally, Brexit may still have an impact the value of the pound sterling. If the pound sterling were to depress significantly against the U.S. dollar, this could negatively impact the ability of our UK customers to afford our products. Currently, we do not anticipate that Brexit will have a material impact on our operations or our financial results.

If our customers were to experience slow growth or recession, we could see a drop-in demand for our products, difficulty in obtaining materials and supplies, difficulty in collecting accounts receivables, an increase in accounts receivable write-offs, and greater foreign exchange rate volatility affecting our profitability and cash flow. Customers may also purchase lower-cost products made by competitors and not resume purchasing our products even after economic conditions improve. While we employ comprehensive controls regarding global cash management to guard against cash or investment loss and to ensure our ability to fund our operations and commitments, a material disruption to the counterparties with whom we transact business could expose us to financial loss.

Our international operations expose us to foreign exchange risk and currency fluctuations affect our operating profits.

We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these currencies into U.S. dollars when we consolidate our financial results. Operating outside of the United States further exposes us to foreign exchange risk, which we monitor. We are most sensitive to changes in the exchange rates of the South African Rand (or ZAR), the Renminbi, the Euro and the U.S. dollar. Because of our primary operations in South Africa, a portion of our consolidated revenues are denominated in ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources, so we have more ZAR expenses than we do sales in South Africa. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. Alternatively, if the ZAR depreciates against the U.S. dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. dollar financial statements will decline. In China we have more Renminbi expenses than we do sales, because we manufacture our products in China that we sell globally. A decrease in the value of the U.S. dollar in relation to the Renminbi could increase our cost of purchasing products in China. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

In Europe we have significantly more sales than we do expenses. Since 72% of our sales is derived outside the U.S. where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.

We engage in international manufacturing and sales which exposes us to trade restrictions and disruptions that could harm our business and competitive position.

We derive 72% of our revenues from international sales and we develop and primarily manufacture our products outside of the U.S. As a result, we are subject to risks associated with shipping products across borders, including shipping delays, customs duties, export quotas and other trade restrictions that could have a significant impact on our revenue and profitability. If we cannot deliver our products on a competitive and timely basis, our relationships with international customers will be damaged and our financial condition could also be harmed. The future imposition of, or significant increases in, the level of tariffs, custom duties, export quotas and other barriers and restrictions by the U.S. on China or other countries could disrupt our supply chain, increase the cost of our raw materials and therefore our pricing, and impose the burdens of compliance with foreign trade laws, any of which could potentially affect our bottom line and sales. While we are in continuous discussions with our manufacturers to ensure there are contingencies in place, we cannot assure you that we will not be adversely affected by changes in the trade laws of foreign jurisdictions where we sell and seek to sell our products.

Economic disruption resulting from the COVID-19 pandemic has exposed us to rising freight shipping and logistics costs that could have an adverse effect on our results of operations.

The economic disruption resulting from the COVID-19 pandemic has had an adverse impact on the global freight shipping industry and on the cost of shipping our products to our global network of distributors, dealers and customers, or their import agents, from warehouses in China. Over the past year, the strong rise in demand for Chinese exports has outpaced the availability of containers in Asia, creating a container shortage and huge backlogs in many freight markets around the world, including the U.S., the Middle East, and East Asia. These container shortages at Asian ports have exacerbated supply bottlenecks and further increased shipping costs, by up to 400% in some regions, as companies in Asia are reported to be paying premium rates to get containers back. Further compounding matters is the shortage of dockworkers and truck drivers available to load and unload containers at ports in Europe and the U.S. and to move them to other locations, resulting in congested ports. We are working closely with our supply chain management in Asia, our logistics service providers, and our freight forwarders, to streamline our global shipping and logistics processes, to mitigate any disruption to our operations. Continued disruption and pricing volatility in the global shipping and logistics industry could have a negative impact on our results of operations for the coming periods and beyond.

In order to grow at the pace expected by management, we may require additional capital to support our long-term growth strategies. If we are unable to obtain additional capital in future years, we may be unable to proceed with our plans and we may be forced to curtail our operations.

We currently meet our working capital requirements with cash flow provided by our operating activities, and we expect to continue doing so for the foreseeable future. Since November 2018, the Company has maintained a revolving line of credit agreement with a bank under which it now has access to a line of credit facility of $1,500,000 which remains available in full for advances through February 2023. However, in the future we may require additional working capital to support our long-term growth strategies, including identifying suitable targets for horizontal or vertical mergers or acquisitions so as to enhance the overall productivity and benefit from economies of scale. If the uncertainty arising out of domestic and global economic conditions and the ongoing tightening of domestic credit markets persist, we may not be able to generate adequate cash flows or obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources. Even if we are able to get additional financing, it might not be on terms that are favorable to the Company. Furthermore, additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities, including registration rights. If we are unable to raise additional financing, we may be unable to implement our long-term growth strategies, develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail operations.

A substantial amount of our sales revenue is derived from sales to a limited number of customers, and our business will suffer if sales to these customers decline.

We have derived a significant portion of our revenue from a limited number of customers, however none of our customers account for more than 10% of our consolidated revenues. For the years ended December 31, 2021 and 2020, our largest customer accounted for approximately 10% and 9% of our annual U.S. revenue, respectively. As of December 31, 2021, and 2020, $254,477 or 2% and $199,808 or 3% of our accounts receivable, was due from this customer. For both the years ended December 31, 2021 and 2020, our international revenue derived outside of the U.S. was earned from one customer that accounted for approximately 10% and 9% of our annual international revenue. As of December 31, 2021, and 2020, $1,273,532 or 10% and $421,976 or 6% of our accounts receivable, respectively, was due from this international customer. We do not have long term contractual arrangements with most of these wholesale customers. The loss of one or more of these customers could damage our business, financial condition and results of operations.

Significant fluctuations in fuel prices could have an adverse impact on our business and operations.

A significant portion of our revenue is derived from international sales and so significant fluctuations in fuel prices could adversely affect our business and operations. While fluctuations in fuel prices could lead to higher commuter costs which may encourage the increased use of motorcycles and bicycles as alternative modes of transportation and lead to an increase in the market for our protection products, significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers.

Expansion of our business may put added pressure on our management, financial resources and operational infrastructure impeding our ability to meet any increased demand for our products and possibly hurting our operating results.

Our business plan is to significantly grow our operations to meet anticipated growth in demand for existing products, and by the introduction of new product offerings. Our planned growth includes the construction of several new production lines to be put into operation over the next five years. Growth in our business may place a significant strain on our personnel, management, financial systems and other resources. We may be unable to successfully and rapidly expand sales to potential customers in response to potentially increasing demand or control costs associated with our growth. To accommodate any such growth and compete effectively, we may need to obtain additional funding to improve information systems, procedures and controls and expand, train, motivate and manage our employees, and such funding may not be available in sufficient quantities, if at all. If we are not able to manage these activities and implement these strategies successfully to expand to meet any increased demand, our operating results could suffer.

We rely on patent and trade secret laws that are complex and difficult to enforce and we may not be able to prevent others from unauthorized use of our intellectual property. If we are not able to adequately secure and protect our patent, trademark and other proprietary rights our business may be materially affected.

The continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. We also rely on nondisclosure agreements and other methods to protect our intellectual property rights. However, the steps we have taken may be inadequate to prevent the misappropriation of our technology. In addition, the validity and breadth of claims in protective gear technology patents involve complex legal and factual questions and, therefore, the extent of their enforceability and protection is highly uncertain. Issued patents or patents based on pending patent applications or any future patent applications may not exclude competitors or may not provide a competitive advantage to us. In addition, patents issued or licensed to us may not be held valid if subsequently challenged and others may claim rights in or ownership of such patents. Reverse engineering, unauthorized copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us. We cannot assure you that our competitors have not developed or will not develop similar products, will not duplicate our products, or will not design around any patents issued to or licensed by us. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be.

We depend on key personnel, and turnover of key employees and senior management could harm our business.

Our future business and results of operations depend in significant part upon the continued contributions of our key technical and senior management personnel, including specifically, Dr. Christopher Leatt, our Chairman and Research and Development Consultant and the licensor of some of our intellectual property, Sean Macdonald, our Chief Executive Officer and President, Erik Olsson, our International General Manager and Todd Repsher, our U.S. General Manager (collectively, "Key Personnel"). Our future also depends in significant part upon our ability to attract and retain additional qualified management, technical, marketing and sales and support personnel for our operations. To address this risk, we have taken out key man insurance on our Key Personnel. However, if we lose any of our Key Personnel, if any of them fails to perform in their current position, or if we are unable to attract and retain skilled personnel as needed to support business operations from time to time, our business could suffer. In addition, significant turnover of Key Personnel in our senior management could significantly deplete our institutional knowledge held by them. We depend on the skills and abilities of these Key Personnel in managing the development, manufacturing, technical, marketing and sales aspects of our business, any part of which could be harmed by further turnover.

We face an inherent business risk of exposure to product liability claims that could have a material adverse effect on our operating results.

Because of the nature of our products, we face an inherent business risk of exposure to product liability claims arising from the claimed failure of our products to prevent the types of personal injury or death against which they are designed to protect. Plaintiffs may also advance other legal theories supporting claims that our products or actions resulted in harm to them. We maintain product liability insurance policies with a self-insured retention to attempt to manage this risk worldwide. But although we maintain product liability insurance coverage, there can be no absolute assurance that our coverage limits will be sufficient to cover any successful product liability claims made against us now or in the future. Furthermore, our insurance coverage does not include damages which may be assessed against us for willful and/or intentional injury, or for exemplary or punitive damages. Any claim or aggregation of claims substantially in excess of our insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on our financial condition and results of operations. These claims also have a negative impact on the renewal our product liability insurance policy and the premiums.

We may not be able to adequately finance the significant costs associated with the development of new protective equipment products.

The products in the protective equipment market can change dramatically with new technological advancements. We are currently conducting research and development on new products, which requires a substantial outlay of capital. To remain competitive, we must continue to incur significant costs in product development, equipment, facilities and invest in research and development of new products. These costs may increase, resulting in greater fixed costs and operating expenses. In addition to research and development costs, we could be required to expend substantial funds for and commit significant resources to the following: additional engineering and other technical personnel; advanced design, production and test equipment; manufacturing services that meet changing customer needs; technological changes in manufacturing processes; working capital and; manufacturing capacity. Our future operating results will depend, to a significant extent, on our ability to continue to provide new and competitive products that compare favorably on the basis of cost and performance with the design and manufacturing capabilities of competitive third-party technologies. We will need to sufficiently increase our net sales to offset these increased costs, the failure of which would negatively affect our operating results.

We may be exposed to potential risks relating to our internal controls over financial reporting and our ability to have those controls attested to by our independent auditors.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company's internal controls over financial reporting in their annual reports, including Form 10-K. Under current law, we became subject to the requirements of SOX 404 beginning with our annual report for the fiscal year ended December 31, 2012 and since becoming a U.S. public company, we have evaluated our internal control systems in order to allow our management to meet these requirements, including for this annual report for the fiscal year ended December 31, 2021. We can provide no assurance that we will comply with all of the requirements imposed thereby in the coming years. In the event that we ever identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements.

We are an "emerging growth company," and have availed ourselves of scaled public company reporting requirements and requirements for stockholder approval and advice applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including not being required to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions and requirements of stockholder advisory votes and approvals until we are no longer an emerging growth company.

We could be an "emerging growth company" for up to five years after the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act, which we expect will be pursuant to a Registration Statement on Form S-8 or on Form S-1. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed $1 billion or we issue more than $1 billion of non-convertible debt in any three-year period, we would cease to be an "emerging growth company" prior to the end of such five-year period. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choice we make to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

Unseasonable weather may disrupt our operations and may reduce consumer demand for our products.

Our products are primarily designed for outdoor use and unseasonable weather could lead to increased expenses and a reduction in our sales revenue. Unseasonable weather and prolonged, extreme temperatures, such as hurricanes, winter storms, earthquakes, floods, heat waves, and other natural disasters may affect consumer participation in outdoor sporting activities and adversely impact their demand for our products. In addition, severe weather could disrupt operation of our facilities and cause service outages, production delays and property damage that require us to incur additional expenses. Such weather conditions may also affect our ability to deliver our products to our customers or may require them to close certain stores temporarily, thereby reducing sales. As a result, unseasonable weather in any of our markets could negatively impact our net revenues.

Natural or man-made catastrophic events may disrupt our business and negatively impact our results of operation.

We are exposed to natural or man-made catastrophic events that may disrupt our business and may reduce consumer demand for our products. A disruption or failure of our systems or operations in the event of a natural disaster, health pandemic, such as the outbreak and global spread of COVID-19 or the coronavirus, or a man-made catastrophic event could cause delays in completing sales, continuing production or performing other critical functions of our business, particularly if a catastrophic event occurred at our primary manufacturing locations or our distributor locations worldwide. Any of these events could severely affect our ability to conduct normal business operations and, as a result, our operating results could be adversely affected. There may also be secondary impacts that are unforeseeable, such as impacts on our consumers and on consumer purchasing behavior, which could cause delays in new orders, delays in completing sales or even order cancellations. As the COVID-19 pandemic continues to evolve, we believe the extent of the impact to our operations will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic. Due to strong consumer demand for outdoor product categories, we did not see any significant material negative impact of COVID-19 on the Company's results of operations for the year ended December 31, 2021.

We remain cautiously optimistic that ongoing efforts to increase the availability of new COVID-19 vaccines worldwide will mitigate the spread of the virus throughout Europe and the U.S. (our largest markets) and bring about an end to global quarantines. The continued mutation and spread of the virus, economic headwinds caused by global quarantines, or the occurrence of any other catastrophic events, could have a negative impact on our sales revenue for the coming periods and beyond.

RISKS RELATED TO OUR INDUSTRY

We may not be able to maintain or improve our competitive position because of strong competition in the personal protective equipment industry, and we expect this competition to continue to intensify.

We face competition from other global manufacturers and distributors who provide personal protective equipment to users of motorcycles, ATVs, snowmobiles, motor racing cars and other helmeted sports. Some of our international competitors are larger than we and possess greater name recognition, assets, personnel, sales and financial resources. These entities may be able to respond more quickly to changing market conditions by developing new products and services that meet customer requirements or are otherwise superior to our products and services and may be able to more effectively market their products than we can because they have significantly greater financial, technical and marketing resources than we do. They may also be able to devote greater resources than we can to the development, promotion and sale of their products. Increased competition could require us to reduce our prices, result in our receiving fewer customer orders, and result in our loss of market share. We cannot assure you that we will be able to distinguish ourselves in a competitive market. To the extent that we are unable to successfully compete against existing and future competitors, our business, operating results and financial condition would be materially adversely affected.

If we are unable to develop competitive new products our future results of operations could be adversely affected.

Our future revenue stream depends to a large degree on our ability to utilize our technology in a way that will allow us to offer new types of safety products to a broader client base. We will be required to make investments in research and development in order to continue to develop new products, enhance our products and achieve market acceptance. We may incur problems in the future in innovating and introducing new and innovative products or, if developed, such products may not achieve significant customer acceptance. If we are unable to successfully define, develop and introduce competitive new products or improve on existing ones, our future results of operations would be adversely affected.

The value of our brand and sales of our products could be diminished if we, the individuals who use our products or the sport and activity categories in which our products are used, are associated with negative publicity.

Our success depends on the value of our brand. Our brand could be adversely affected if our public image or reputation were to be tarnished by negative publicity. Many athletes and other public individuals use our products and actions taken by such persons that harm the reputations of activities they participate in could also harm our brand image and result in a material decrease in our revenues and net income, which could have a negative effect on our financial condition and liquidity. In addition, negative publicity resulting from severe injuries or death occurring in the sports or activities in which our products are used and negatively impacts the popularity of such sport or activity, could have a subsequent negative effect on our net sales of products used in that sport or activity.

We may not be able to receive certain industry certifications and accreditation for our products.

We have obtained certification and approvals for certain of our products, including approval of our new knee brace as a Class 1 medical device by both the U.S. FDA and the UK's Medicine and Healthcare Regulatory Products Agency (MHRA), and approval of our shoulder brace as a Class 1 medical device by the U.S. FDA. All our products are compliant with applicable European Union directives, or CE certified, where appropriate. All Leatt Personal Protective Equipment (PPE) products are CE Certified showing compliance with European Economic Community (EEC) directive 89/686/EEC that imposes mandatory accreditation of all Personal Protective Equipment products offered for sale in the EEC. This includes the Company's Leatt-Brace® and body protection products. We have also obtained certifications for our helmets depending on the market, for the U.S. market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmets comply with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063. For the UK market our motorcycle helmets comply with ACU Gold and our Moto 3.5 helmets comply with JIS T 8133 for the Japanese Market. For the Brazilian market our Moto 7.5 and Moto 3.5 helmets complies with NBR 7471. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model Moto 7.5 to the CCC standard in China. We also voluntarily submitted our GPX neck brace to be tested by the in-house engineers of BMW Motorrad (Germany) and to be reviewed by KTM (Austria).

We believe that such testing, while not mandatory, will provide validation for our product's performance, however, there is no guarantee that our products will receive DOT, EN1078, CPSC 1203, ASTM F1952, AS/NZS 2063, ACU Gold, CE Certification or meet BMW testing standards. Our failure to meet testing standards could cause reputational harm and have a negative effect on net sales of products.

RISKS RELATED TO DOING BUSINESS IN NON-US JURISDICTIONS

We face risks associated with doing business in non-US jurisdictions.

We have affiliates, and our products are manufactured in and distributed from facilities, located in foreign countries, including countries in Asia and South Africa. International operations are subject to certain risks inherent in doing business abroad, including: exposure to political, social and economic instability; expropriation and nationalization; withholding and other taxes on remittances and other payments by subsidiaries; difficulties in enforcement of contract and intellectual property rights; exposure to foreign current exchange rates, interests rates and inflation; investment restrictions or requirements; and export and import restrictions.

We continue to monitor any adverse impact that the outbreak of war in Ukraine and the subsequent institution of sanctions against Russia by the US and several European leaders may have on the global economy in general and on our business operations and that of our suppliers and customers, in particular. For example, a prolonged conflict may have unintended consequences such as increased inflation, fuel and transportation costs. We will continue to monitor this fluid situation and develop contingencies as necessary to address any disruptions to our business operations as they develop.

We are highly dependent on our foreign affiliates for their production capabilities and increasing our foreign operations and business relationships are important elements of our strategy. As a result, our exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential impact on us varies from country to country and are unpredictable.

Our operations and assets in China are subject to significant political and economic uncertainties.

Changes in PRC laws and regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency or the nationalization or other expropriation of private enterprises could have a material adverse effect on our business, results of operations and financial condition. Under its current leadership, the Chinese government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the Chinese government will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice.

We may have limited legal recourse under PRC law if disputes arise under our outsourcing manufacturing arrangements with third parties.

The Chinese government has enacted some laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, their experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. If our outsourcing manufacturing arrangements are unsuccessful or other adverse circumstances arise from these arrangements, we face the risk that our third-party manufacturers may dishonor our purchase orders or unwritten arrangements. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the Chinese government and forces unrelated to the legal merits of a particular matter or dispute may influence their determination. Any rights we may have to specific performance, or to seek an injunction under PRC law, in either of these cases, are severely limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Our potential inability to adequately protect our intellectual property during the outsource manufacturing of our products in China could negatively impact our performance.

Our products are manufactured predominantly in China through third-party outsource manufacturing arrangements. We rely on our third-party manufacturers to implement customary manufacturer safeguards onsite, such as the use of confidentiality agreements with employees, to protect our proprietary information and technologies during the manufacturing process, however, these safeguards may not effectively prevent unauthorized use of such information and technical knowhow or prevent such manufacturers from retaining them. The legal regime governing intellectual property rights in China is relatively weak and it is often difficult to create and enforce intellectual property rights or protect trade secrets there. We face risks that our proprietary information may not be afforded the same protection in China as it is in countries with well-developed intellectual property laws, and local laws may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights in China, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption laws, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations and agreements with third parties worldwide and such activities create the risk of unauthorized payments or offers of payments by the employees, consultants, sales agents or distributors of our Company, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold our Company liable for successor liability in connection with FCPA violations committed by companies in which we invest or that we acquire.

Your ability to bring an action against us, and those of our officers and directors who are based in South Africa, or to enforce a judgment against us or recover assets in our possession may be difficult since any such action or recovery of assets would be an international matter, involving South African laws and geographic and temporal disparities.

We conduct substantial operations in South Africa through our foreign registered branch and a substantial portion of our assets are located outside of the United States. In addition, all but two of our management personnel reside in South Africa. As a result, it may be difficult or impossible for you to bring an action against us or these individuals in the United States in the event that you believe that your rights have been violated under applicable law or otherwise. Even if an action of this type is successfully brought, the laws of the United States and of South Africa may render a judgment unenforceable.

RISKS RELATING TO OUR COMMON STOCK

There is not now, and there may not ever be, an active market for our common stock and we cannot assure you that the common stock will become liquid or that it will be listed on a securities exchange.

There currently is no active market for our common stock. We plan to list our common stock on a national exchange as soon as practicable, however, we cannot assure you that we will be able to meet the initial listing standards of any national exchange, or that we will be able to maintain any such listing. Until our common stock is listed on an exchange, we expect that it would be eligible to continue being quoted in the over-the-counter market maintained by the OTC Markets Group Inc. In this venue, however, an investor may find it difficult to obtain accurate quotations as to the market value of the common stock and trading of our common stock may be extremely sporadic. For example, several days may pass before any shares may be traded. A more active market for the common stock may never develop. In addition, if we failed to meet the criteria set forth in SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling the common stock, which may further affect its liquidity. This would also make it more difficult for us to raise additional capital.

Our holding company structure may limit the payment of dividends.

We have no direct business operations, other than our ownership of our subsidiaries. While we have no immediate intention of paying dividends, should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions as discussed below. If we determine that we will pay dividends to the holders of our common stock, we cannot assure that such dividends will be paid on a timely basis. As a result, you will not receive any return on your investment prior to selling your shares in our company and, for the other reasons discussed in this “Risk Factors” section, you may not receive any return on your investment even when you sell your shares in our company and your shares may become worthless. If future dividends are paid in ZAR, fluctuations in the exchange rate for the conversion of ZAR into U.S. dollars may reduce the amount received by U.S. stockholders upon conversion of the dividend payment into U.S. dollars.

The Company’s officers, directors and affiliates collectively have the power to make all major decisions regarding the Company without the need to get consent from any stockholder or other person. This discretion could lead to decisions that are not necessarily in the best interests of minority shareholders.

Our Company’s officers, directors and affiliates collectively own 47.8% of our common stock (including our preferred stock which converts on a one-for-one basis to common stock, but vote on a one-for-one hundred basis to common stock). Our officers and directors, therefore, has the power to make all major decisions regarding our affairs, including decisions regarding whether or not to issue stock and for what consideration, whether or not to sell all or substantially all of our assets and for what consideration and whether or not to authorize more stock for issuance or otherwise amend our charter or bylaws. Our officers and directors are in a position to elect all of our directors and to dictate all of our policies.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our corporate headquarters are located in a 948 square meter space located at 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7550. Approximately 15% of the space is used by our finance, legal and operations teams, 50% is used for warehousing and South African distribution, 10% is used by marketing and the remaining 25% is used by Leatt Lab and our research and development team. We occupy these premises pursuant to a lease agreement, dated December 16, 2020, between Leatt SA and AJ Brutus Investments CC, which expires on June 30, 2022. The lease agreement requires us to pay a monthly rent of ZAR 68,061 (or $4,649).

We lease extra warehouse space to store inventory located at Unit 2, Stand no. 37, Sycamore Crescent, Atlas Gardens, Durbanville, Western Cape, South Africa, 7550. We occupy these premises pursuant to a lease agreement, dated December 16, 2020, between Leatt SA and White Pine Investments 78 (Pty) Ltd, which expires on June 30, 2022. The lease agreement requires us to pay a monthly rent of ZAR 12,750 (or $871).

We have entered into a new lease agreement for extra warehouse space to store inventory located at Unit 9, 36 Sycamore Crescent, Atlas Gardens, Durbanville, Western Cape, South Africa, 7550. We occupy these premises pursuant to a lease agreement, dated February 24, 2022, between Leatt SA and Montprop Beleggings (Pty) Ltd, which commences April 1, 2022 and expires on August 31, 2023. The lease agreement requires us to pay a monthly rent of ZAR 27,625 (or $1,769) for first eleven months and ZAR 29, 835 (or $1,910) for the following six months. The rent payable excludes VAT, water, electricity and other associated costs.

Our newly redomiciled Nevada subsidiary, Two Eleven, entered into a Lease Agreement, dated December 14, 2020, with CP Logistics NVCC IV, LLC, to lease warehouse and office space comprising approximately 43,056 square foot in Reno, Nevada. The lease commenced upon the date of substantial completion of the landlord's work, as defined in the Lease Agreement, July 13, 2021, and the term will continue for a period of sixty-six (66) months from such commencement date, subject to renewal, at Two Eleven's option, for an additional five (5) year term. The rent payable from the 3rd month following the commencement date through to the 14th month will be $21,959 and thereafter the rent payable will escalate in subsequent months in accordance with the terms of the Lease Agreement, up to a monthly payment of $25,455 in the 63rd through 66th month. The rent payable will exclude other associated costs, such as real estate taxes, association dues, insurance and other fees.

We also lease extra warehouse space from time to time to store inventory. These agreements are on a month-to-month basis and vary during the course of the year.

We believe that all premises used by the Company and its subsidiaries are in good condition, and that the property located there are adequately insured.

ITEM 3. LEGAL PROCEEDINGS.

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

On April 3, 2018, a wrongful death lawsuit was filed against the Company in Superior Court of California, Imperial County, and subsequently removed to USDC San Diego. The claims asserted included strict liability, negligence, failure to warn, and breach of implied and express warranties. After facing a vigorous defense, the plaintiffs agreed to a confidential settlement dismissing all claims against the Company. A formal dismissal order has not yet been entered.

ITEM 4. MINING SAFETY DISCLOSURES.

Not Applicable.

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 on the *QB* tier of the over-the-counter electronic bulletin board maintained by the OTC Markets Group Inc. under the symbol LEAT. The CUSIP number for our common stock is 522132 10 9.

The following table sets forth, for the periods indicated, the high and low closing prices of our common stock as reported by Yahoo Finance at https://finance.yahoo.com for the periods indicated. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	Closing Prices [1]	
	High	**Low**
Year Ended December 31, 2022		
1st Quarter (January 1, 2022 to March 1, 2022)	$ 32.50	$ 23.00
Year Ended December 31, 2021		
1st Quarter	$ 13.50	$ 6.66
2nd Quarter	$ 19.05	$ 13.40
3rd Quarter	$ 27.60	$ 16.85
4th Quarter	$ 33.90	$ 23.00
Year Ended December 31, 2020		
1st Quarter	$ 2.75	$ 1.50
2nd Quarter	$ 2.80	$ 1.50
3rd Quarter	$ 7.90	$ 2.11
4th Quarter	$ 7.68	$ 4.81

Holders

As of March 4, 2022, there were approximately 170 stockholders of record of our common stock. The number of record holders does not include persons who held our common stock in nominee or "street name" accounts through brokers.

Dividend Policy

We have never declared dividends or paid cash dividends. Our board of directors will make any future decisions regarding dividends. We currently intend to retain a significant majority of current and future earnings for the development and expansion of our business.

Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

Our officers and directors are eligible for equity awards in the form of stock options and restricted stock under the Leatt Corporation Amended and Restated 2011 Equity Incentive Plan (the "2011 Plan"), pursuant to which the Company is authorized to issue and sell up to 1,320,000 shares of common stock of the Company, par value $0.001 per share. Equity awards under the 2011 Plan are granted at the discretion of the Board. The size of an award to any individual, including named executive officers, depends in part on individual performance, including the components of our key performance appraisal index described above and any other indicators of the impact that such employee's productivity may have on stockholder value over time. Other factors include salary level and competitive data. In addition, in determining the awards granted to each named executive officer, the Board considers the future benefits potentially available to the named executive officers from existing awards. We have no program, plan or practice of granting equity awards that coincide with the release by the Company of material non-public information.

The following table includes the information as of December 31, 2021 for each category of our equity compensation plan.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	$ 1.00	
	145,000	$ 2.60	
	113,000	$ 1.60	220,400
	250,000	$ 2.30	
	41,350	$ 7.10	
	41,050	$ 30.06	
Equity compensation plans not approved by security holders	0	--	0
Total	590,400	--	

Recent Sales of Unregistered Securities

We have not sold any equity securities during 2021 that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the period.

Purchases of Equity Securities

No repurchases of our common stock were made during the fourth quarter of 2021.

ITEM 6. SELECTED FINANCIAL DATA.

Not Applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following management's discussion and analysis should be read in conjunction with our financial statements and the notes thereto and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion contains certain forward-looking information. See "Special Note Regarding Forward Looking Statements" above Part I, for certain information concerning those forward-looking statements. Our financial statements are prepared in U.S. dollars and in accordance with U.S. GAAP.

Overview of our Business

We were incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. We were a shell company with little or no operations until March 1, 2006, when we acquired the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company controlled by the Company's Chairman and founder, Dr. Christopher Leatt. On May 25, 2005, we changed our name to Leatt Corporation in connection with our anticipated acquisition of the Leatt-Brace® rights. Leatt designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs. The Company sells its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by other international brands.

The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment using this technology, as well as its own developed technology, including the Company's new body protection products which it markets under the Leatt Protection Range brand.

The Company's research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 3 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Depending on the market we have other certifications outside of CE. For the US market our motorcycle helmets comply with the DOT (FMVSS 218) helmet safety standard and our bicycle helmet complies with EN1078, as well as CPSC 1203. Our downhill specific bicycle helmets also comply with ASTM F1952. For our Australian Market our bicycle helmet complies with AS/NZS 2063. For the UK market our motorcycle helmets comply with ACU Gold and our GPX 3.5 helmet with JIS T 8133 for the Japanese Market. For the Brazilian market our Moto 7.5 and Moto 3.5 helmets complies with NBR 7471. We are currently in the process of applying to certify our Moto 3.5 helmet and latest helmet model Moto 7.5 to the CCC standard in China.

Our products are predominately manufactured in China under outsource manufacturing arrangements with third-party manufacturers located there subject to agreed standard terms. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products sold to our international customers are usually shipped directly from our consolidation warehouse or manufacturers' warehouses to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 55 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to dealers in the United States and South Africa, respectively.

Principal Factors Affecting Our Financial Performance

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

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

- ***Trade Restrictions*** - We engage in international manufacturing and sales which exposes us to trade restrictions and disruptions that could harm our business and competitive position. Most of our products are manufactured in China, and the U.S. administration has announced tariffs on certain product imported into the United States with China as the country of origin. While these tariffs have not had a significant impact on the shipment of our products to international markets as at December 31, 2021, we believe that the future imposition of, or significant increases in, the level of tariffs, custom duties, export quotas and other barriers and restrictions by the U.S. on China or other countries could disrupt our supply chain, increase the cost of our raw materials and therefore our pricing, and impose the burdens of compliance with foreign trade laws, any of which could potentially affect our bottom line and sales. While we are in continuous discussions with our manufacturers to ensure there are contingencies in place, we cannot assure you that we will not be adversely affected by changes in the trade laws of foreign jurisdictions where we sell and seek to sell our products.

- ***Fuel Prices -*** Significant fluctuations in fuel prices could have both a positive and negative effect on our business and operations. A significant portion of our revenue is derived from international sales and significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers. On the other hand, fluctuations in fuel prices lead to higher commuter costs which may encourage the increased use of motorcycles and bicycles as alternative modes of transportation and lead to an increase in the market for our protection products.

- ***Product Liability Litigation*** - We face an inherent business risk of exposure to product liability claims arising from the claimed failure of our products to help prevent the types of personal injury or death against which they are designed to help protect. Therefore, we have acquired very costly product liability insurance worldwide. We have not experienced any material uninsured losses due to product liability claims, but it is possible that we could experience material losses in the future. After a two-week trial in the United States District Court for the Northern District of Ohio (Eastern) ending on April 17, 2014, a federal jury returned a defense verdict for the Company in the first Leatt-Brace® product liability lawsuit to be tried in the United States. The plaintiffs in that case had alleged that defective product design and failure to warn had caused a motocross rider to suffer multiple mid-thoracic spine fractures, causing immediate and permanent paraplegia, when he crashed at a relatively low speed on February 13, 2011. When the accident occurred, he was wearing a helmet and other safety gear from several different companies, including the Company's acclaimed Leatt-Brace®. The Company produced evidence at trial showing that his thoracic paraplegia was an unavoidable consequence of his fall, not the result of wearing a Leatt-Brace®, and that the neck brace likely saved his life (or saved him from quadriplegia) by preventing cervical spine injury. The Company had maintained from the onset that this and a small handful of other lawsuits are without merit and that it would vigorously defend itself in each case. In this case, the plaintiffs subsequently appealed the court's decision, and the parties reached an amicable settlement. Although we carry product liability insurance, a successful claim brought against us could significantly harm our business and financial condition and have an adverse impact on our ability to renew our product liability insurance or secure new coverage.

- ***Protection of Intellectual Property*** - We believe that the continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be. From time to time, we have had to enforce our intellectual property rights through litigation, and we may be required to do so in the future. Such litigation may result in substantial costs and could divert resources and management attention from the operations of our business.

- ***Fluctuations in Foreign Currencies*** - We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these currencies into U.S. dollars when we consolidate our financial results. While our reporting currency is the U.S. Dollar, a portion of our consolidated revenues are denominated in South African Rand, or ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. If the ZAR depreciates against the U.S. Dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk. Furthermore, since 72% of our sales is derived outside the U.S., where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.

- ***Natural or Man-made Catastrophic Events*** - We are exposed to natural or man-made catastrophic events that may disrupt our business and may reduce consumer demand for our products. A disruption or failure of our systems or operations in the event of a natural disaster, health pandemic, such as the outbreak and global spread of COVID-19 or the coronavirus, or a man-made catastrophic event could cause delays in completing sales, continuing production or performing other critical functions of our business, particularly if a catastrophic event occurred at our primary manufacturing locations or our distributor locations worldwide. Any of these events could severely affect our ability to conduct normal business operations and, as a result, our operating results could be adversely affected. There may also be secondary impacts that are unforeseeable, such as impacts on our consumers and on consumer purchasing behavior, which could cause delays in new orders, delays in completing sales or even order cancellations. As the COVID-19 pandemic continues to evolve, we believe the extent of the impact to our operations will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic. Due to strong consumer demand for outdoor product categories, we did not see any significant material negative impact of COVID-19 on the Company's results of operations for the year ended December 31, 2021. We remain cautiously optimistic that ongoing efforts to increase the availability of new COVID-19 vaccines worldwide will mitigate the spread of the virus throughout Europe and the U.S. (our largest markets) and bring about an end to global quarantines. The continued mutation and spread of the virus, economic headwinds caused by global quarantines, or the occurrence of any other catastrophic events, could have a negative impact on our sales revenue for the coming periods and beyond.

- ***Rising Freight Shipping and Logistics Costs*** - The economic disruption resulting from the COVID-19 pandemic has had an adverse impact on the global freight shipping industry and on the cost of shipping our products to our global network of distributors, dealers and customers, or their import agents, from warehouses in China. Over the past year, the strong rise in demand for Chinese exports has outpaced the availability of containers in Asia, creating a container shortage and huge backlogs in many freight markets around the world, including the U.S., the Middle East, and East Asia. These container shortages at Asian ports have exacerbated supply bottlenecks and further increased shipping costs, by up to 400% in some regions, as companies in Asia are reported to be paying premium rates to get containers back. Further compounding matters is the shortage of dockworkers and truck drivers available to load and unload containers at ports in Europe and the U.S. and to move them to other locations, resulting in congested ports. We are working closely with our supply chain management in Asia, our logistics service providers, and our freight forwarders, to streamline our global shipping and logistics processes, to mitigate any disruption to our operations. Continued disruption and pricing volatility in the global shipping and logistics industry could have a negative impact on our results of operations for the coming periods and beyond.

Results of Operations

Year ended December 31, 2021, compared to the year ended December 31, 2020

The following table summarizes the results of our operations during the years ended December 31, 2021 and 2020 and provides information regarding the dollar and percentage of year-over-year increase or (decrease).

Item	Fiscal Year Ended December 31, 2021	Fiscal Year Ended December 31, 2020	Increase (Decrease)	Percentage Increase (Decrease)
REVENUES	$72,475,813	$38,604,289	$33,871,524	88%
COST OF REVENUES	41,029,710	21,215,669	$19,814,041	93%
GROSS PROFIT	31,446,103	17,388,620	$14,057,483	81%
PRODUCT ROYALTY INCOME	182,698	88,748	$ 93,950	106%
OPERATING EXPENSES				
Salaries and Wages	5,003,640	3,480,181	$ 1,523,459	44%
Commissions and Consulting	812,097	586,509	$ 225,588	38%
Professional Fees	1,072,912	793,859	$ 279,053	35%
Advertising and Marketing	2,170,788	2,167,445	$ 3,343	0%
Office Lease and Expenses	428,608	306,855	$ 121,753	40%
Research and Development Costs	1,826,846	1,522,758	$ 304,088	20%
Bad Debt Expense	222,250	71,862	$ 150,388	209%
General and Administrative	2,450,376	1,879,286	$ 571,090	30%
Depreciation	1,025,536	832,216	$ 193,320	23%
Total Operating Expenses	15,013,053	11,640,971	$ 3,372,082	29%
INCOME FROM OPERATIONS	16,615,748	5,836,397	$10,779,351	185%
Other Income (Expenses)	(163)	206,008	$ (206,171)	-100%
INCOME BEOFRE INCOME TAXES	16,615,585	6,042,405	$10,573,180	175%
Income Taxes	4,041,148	1,618,533	$ 2,422,615	150%
NET INCOME	$12,574,437	$ 4,423,872	$ 8,150,565	184%

Revenues - We earn revenues from the sale of our protective gear comprising of neck braces, body armor, helmets and other products, parts and accessories. Revenues for the year ended December 31, 2021 were $72.48 million, an 88% increase, compared to revenues of $38.60 million for the year ended December 31, 2020. This increase in revenues is attributable to a $18.93 million increase in body armor sales, a $6.21 million increase in sales of other products, parts and accessories, a $5.17 million increase in helmets sales and a $3.56 million increase in neck braces sales, during the year ended December 31, 2021. Revenues associated with international customers for the years ended December 31, 2021 and 2020, respectively were $52.34 million and $24.67 million, or 72% and 64% of global revenues.

The following table sets forth our revenues by product line for the years ended December 31, 2021 and 2020:

	Year Ended December 31,			
	2021	% of Revenues	2020	% of Revenues
Neck braces	$ 8,443,610	12%	$ 4,884,230	13%
Body armor	41,229,569	57%	22,300,362	58%
Helmets	9,040,265	12%	3,865,766	10%
Other products, parts and accessories	13,762,369	19%	7,553,931	19%
	$72,475,813	100%	$38,604,289	100%

Sales of our flagship neck brace accounted for $8.44 million and $4.88 million, or 12% and 13% of our revenues for the years ended December 31, 2021 and 2020, respectively. The 73% increase in neck brace revenues was primarily due to a 71% increase in the volume of neck braces sold to our customers worldwide during the 2021 period as consumer demand for our flagship neck brace continues to grow.

Our body armor products are comprised of chest protectors, full upper body protectors, upper body protection vests, back protectors, knee braces, knee and elbow guards, off-road motorcycle boots and mountain biking shoes. Body armor sales accounted for $41.23 million and $22.30 million, or 57% and 58% of our revenues for the years ended December 31, 2021 and 2020, respectively. The 85% increase in body armor revenues was primarily due to a 76% increase in the volume body armor sold during the period. Worldwide sustained demand for our line of premium, athlete-tested upper body and limb protectors designed for off-road motorcycle and mountain biking use and our medically certified knee braces continues. Additionally, encouraging shipments of our growing footwear category consisting of off-road motorcycle boots and mountain biking shoes continued to exceed our expectations.

Our helmets accounted for $9.04 million and $3.87 million, or 12% and 10% of our revenues for the years ended December 31, 2021 and 2020, respectively. The 134% increase in helmet revenues is primarily due to a 146% increase in the volume of helmets sold to our customers worldwide. Strong demand for the Company's innovative, award winning MTB helmet line up and global shipments of our redefined Moto helmet line up for off-road motorcycle use to our customers in the United States and abroad continued.

Our other products, parts and accessories are comprised of goggles, hydrations bags and apparel items including jerseys, pants, shorts and jackets as well as aftermarket support items required primarily to replace worn or damaged parts through our global distribution network. Other products, parts and accessories sales accounted for $13.76 million and $7.55 million, or 19% and 19% of our revenues for the years ended December 31, 2021 and 2020, respectively. The 82% increase in revenues of other products, parts and accessories is primarily due to continued strong demand for our line of technical apparel designed for off-road motorcycle and mountain biking use as well as a 55% increase in the volume of our bulletproof, military grade velocity line of goggles sold to our customers in the United States and abroad.

Costs of Revenues and Gross Profit - Cost of revenues for the years ended December 31, 2021 and 2020 were $41.03 million and $21.22 million, respectively. Gross Profit for the years ended December 31, 2021 and 2020 were $31.45 million or 43% of revenues, and $17.39 million or 45% of revenues, respectively. Our neck brace products continue to generate a higher gross margin than our other product categories. Neck brace revenues accounted for 12% and 13% of our revenues for the years ended December 31, 2021 and 2020, respectively. The decrease in gross profit as a percentage of revenues for the year ended December 31,2021 was further influenced by an increase in global shipping and logistics costs in connection with the COVID-19 pandemic. Management continues to implement strategies to improve our cost of revenues with the support of our global supply chain partners.

Product Royalty Income - Product royalty income is earned on sales to distributors that have royalty agreements in place as well as sales of licensed products by third parties that have licensing agreements in place. Product royalty income for the years ended December 31, 2021 and 2020 were $182,698 and $88,748, respectively. The 106% increase in product royalty income is primarily due to an increase in the sale of licensed products by licensees during the 2021 period.

Salaries and Wages - Salaries and wages for the years ended December 31, 2021 and 2020 were $5,003,640 and $3,480,181, respectively. This 44% increase in salaries and wages during the 2021 period was primarily due to the Company's decision to issue equity to key staff members in line with the Company's exceptional financial performance during the 2021 period as well as the employment of marketing and sales personnel in North and South America, as the Company continues to build a global regional team of brand management professionals.

Commissions and Consulting Expense - Commissions and consulting expense for the years ended December 31, 2021 and 2020 were $812,097 and $586,509, respectively. This 38% increase in commissions and consulting expenses during the 2021 period is primarily due to an increase in commissions and performance incentives paid to both employee and external sales personnel and management in the United States in line with the achievement of significant sales growth and dealer development in the region during the 2021 period.

Professional Fees - Professional fees consist of costs incurred for audit, tax, regulatory filings and quarterly reporting requirements, as well as patent maintenance, protection and litigation expenses and settlement costs incurred as the Company continues to expand its portfolio of exceptional protective gear. Professional fees for the years ended December 31, 2021 and 2020 were $1,072,912 and $793,859, respectively. The 35% increase in professional fees is primarily due to increased spending on product liability litigation and associated costs during the 2021 period.

Advertising and Marketing - The Company places paid advertising in various motorsport and bicycle magazines and online media, and sponsors a number of events, teams and individuals to increase brand and product visibility globally. Advertising and marketing expenses for the years ended December 31, 2021 and 2020 were $2,170,788 and $2,167,445, respectively. This marginal $3,343, or 0.2%, increase in advertising and marketing expenditure is in line with the continued production and implementation of global marketing campaigns designed to market the Company's growing product offering and increase global consumer brand engagement that was partially offset by a decrease in team and event sponsorship costs, primarily in the United States, in line with a decrease in event activity as a result of the COVID-19 pandemic. Additionally, the Company partnered successfully with its global distribution partners in collaborative and synchronized brand activation and product launch initiatives that included a level of cost sharing.

Office Lease and Expenses - Office lease and expenses for the years ended December 31, 2021 and 2020 were $428,608 and $306,855, respectively. The 40%, increase in office lease and expenses is primarily due to an increase in warehouse lease expenditure in the United States due to the relocation of the Company's warehousing and distribution center from Santa Clarita, California to Reno, Nevada in response to the Company's need for additional distribution capacity and warehousing space to expand its product offering of exceptional protective gear and dealer presence throughout the United States.

Research and Development Costs - These costs include the salaries of staff members that are directly involved in the research and development of protective gear, as well as the direct costs associated with developing these products. Research and development costs for the years ended December 31, 2021 and 2020 were $1,826,846 and $1,522,758, respectively. This 20% increase in research and development costs during the 2021 period is primarily the result of the employment of product development, engineering and design professionals with relevant industry competence in order to continue the refinement of our product categories and expansion of our pipeline of exceptional cutting-edge products.

Bad Debt Expense - Bad debt expense for the years ended December 31, 2021 and 2020 were $222,250 and $71,862, respectively. This 209% increase in bad debt expense is primarily due to an increase in the provision for doubtful accounts during the 2021 period, in line with an increase in accounts receivable balances at Two Eleven Distribution in the United States at December 31, 2021, when compared to December 31, 2020.

General and Administrative Expenses - General and administrative costs consist of insurance, travel, merchant fees, communication costs, office and computer equipment with insurance and travel comprising a substantial part of these expenses. General and administrative expenses for the years ended December 31, 2021 and 2020, were $2,450,376 and $1,879,286, respectively. The 30% increase in general and administrative expenses is primarily due to an increase in product liability, general risk and directors and officers insurance premiums paid during the 2021 period. A global industry wide increase in insurance risks associated with the COVID-19 pandemic and the significant sales growth achieved in the United States for the 12 months ended December 31, 2021, accounted for the increase in premiums.

Depreciation Expense - Depreciation expense for the years ended December 31, 2021 and 2020 was $1,025,536 and $832,216, respectively. The 23% increase in depreciation expense is primarily due to the addition of moulds and tooling utilized in the production of the Company's expanding product categories.

Total Operating Expenses - Total operating expenses increased by $3,372,082 to $15,013,053 for the year ended December 31, 2021 or 29%, compared to $11,640,971 in the 2020 period. This increase is primarily due to increased expenditures on salaries, commissions, general and administrative, research and development and professional fees during the 2021 period as discussed above.

Other Income (Expenses) - Other income (expenses) for the years ended December 31, 2021 and 2020 was $(163) and $206,008, respectively. The decrease in other income (expenses) is primarily due to the recognition of Paycheck Protection Program loan forgiveness income of $210,732 during the year ended December 31, 2020.

Net Income - The net income after income taxes for the year ended December 31, 2021 was $12,574,437, an increase of $8,150,565 when compared to a net income after income taxes of $4,423,872 for the 2020 period. This 184% increase in net income is primarily due to the 88% increase in revenues, that was partially offset by the 29% increase in operating costs discussed above.

Liquidity and Capital Resources

At December 31, 2021, we had cash and cash equivalents of $5.02 million and short-term investments of $0.06 million, as compared to cash and cash equivalents of $2.97 million and short-term investments of $0.06 million at December 31, 2020. The following table sets forth a summary of our cash flows for the periods indicated:

	December 31,	
	2021	**2020**
Net cash provided by operating activities	$ 2,782,410	$ 2,347,234
Net cash used in investing activities	$(1,137,337)	$(1,451,759)
Net cash provided by financing activities	$ 595,943	$ 11,859
Effect of exchange rate changes on cash and cash equivalents	$ (185,622)	$ (13,156)
Net increase in cash and cash equivalents	$ 2,055,394	$ 894,178
Cash and cash equivalents at the beginning of period	$ 2,967,042	$ 2,072,864
Cash and cash equivalents at the end of period	$ 5,022,436	$ 2,967,042

Cash increased by $2,055,394 or 69%, for the year ended December 31, 2021. The primary sources of cash during 2021 were a net income of $12,574,437 an increase in accounts payable and accrued expenses of $6,608,746, and an increase in income taxes payable of $1,084,618. The primary uses of cash during calendar year 2021 were an increase in inventory of $11,411,037, an increase in accounts receivable of $5,676,806, an increase in prepaid expenses and other current assets of $ 2,069,237, an increase in payments in advance of $805,542 and increased capital expenditures of $1,139,298 relating primarily to the commissioning of moulds and tooling that will be used in the production of the Company's expanding product range.

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

Obligations under Material Contracts

Pursuant to our Licensing Agreement with Xceed Holdings, a company controlled by Dr. Christopher Leatt, our founder, chairman and head of research and development, we pay Xceed Holdings 4% of all neck brace sales revenue billed and received by the Company on a quarterly basis based on sales of the previous quarter. During the years ended December 30, 2021 and 2020, the Company paid an aggregate of $327,729 and $196,093, in licensing fees to Xceed Holdings. In addition, pursuant to a separate license agreement between the Company and Mr. J. P. De Villiers, our former director, the Company is obligated to pay a royalty fee of 1% of all our billed and received neck brace sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. During the years ended December 31, 2021 and 2020, the Company paid an aggregate of $81,920 and $49,023, in licensing fees to Mr. De Villiers.

From May 15, 2015 through October 31, 2021, the Company was party to a consulting agreement, dated July 8, 2015, between the Company and Innovate Services Limited, or Innovate, a Seychelles limited company in which Dr. Leatt is an indirect beneficiary, pursuant to which, as amended, Innovate served as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided that Dr. Leatt personally performs the services to be performed by Innovate under the agreement. Either party had the right to terminate the agreement for convenience, upon six months' prior written notice, or by the Company immediately without notice in the event of Innovate's breach of an obligation under the contract or if Dr. Leatt could no longer perform the services. On November 8, 2021, the Company terminated the agreement with Innovate, effective October 31, 2021, in connection with the wind-up of Innovate's business operations. The termination of the agreement with Innovate will not have an adverse effect on the Company's research and development operations as the Company simultaneously entered into a new consulting agreement with Innovation Services Limited, Jersey limited company beneficially owned by Dr. Leatt, for the same research, development and marketing services, and on substantially the same terms and conditions as the terminated agreement. During the years ended December 31, 2021 and 2020, the Company recognized an aggregate of $422,330 and $476,629, respectively, in consulting fees to Innovate.

On November 8, 2021, the Company entered into a consulting agreement with Innovation Services Limited, a Jersey limited company in which, Dr. Christopher Leatt, the Company's founder and chairman, is an indirect beneficiary. Pursuant to the terms of the agreement, Innovation has agreed to serve as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided, however, that Dr. Leatt must remain an Innovation director and beneficiary of a majority of its ownership interests during the term of the agreement, and Dr. Leatt must remain the Company's primary point of contact responsible for the oversight, review and delivery of the services to be performed by Innovation under the agreement. Innovation may increase its monthly fees, on an annual basis, by no greater than the lesser of: (a) two and one-half percent (2.5%) of the prior year's annualized fee; or (b) a percentage equal to then-applicable annual percentage increase in the Consumer Price Index (CPI) published by the United States Department of Labor's bureau of labor statistics, plus one-half percent (0.5%). The parties further agreed that all intellectual property generated in connection with the services provided under the consulting agreement will be the sole property of the Company. The consulting agreement was effective as of November 1, 2021, and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the consulting agreement upon 6 months' prior written notice, except that the consulting agreement may be terminated by the Company immediately without notice if the services to be performed by Innovation cease to be performed by Dr. Leatt, if beneficial ownership in Innovation by Dr. Leatt's and his immediate family members decreases, or for any other material breach of the agreement. The parties have agreed to settle any dispute under the consulting agreement by submission to JAMS for final and binding arbitration pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules. The Company also simultaneously entered into a side letter agreement, dated November 8, 2021, with Dr. Leatt, pursuant to which Dr. Leatt agreed, among other things: (1) not to perform services similar to the services provided under the agreement for any current or future, direct or indirect competitor of the Company or any similar company; (2) not to solicit any current or future employees of the Company for employment with Innovation or any other entity with which he may become affiliated, or to contact or solicit any current or future stockholder or investor of the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company; and (3) that he will apprise the Company of any business opportunity that he becomes aware of that could benefit the Company so that the Company, can in its sole discretion, make a determination regarding whether to pursue such opportunity in the best interest of the Company and its stockholders. Dr. Leatt further agreed to continue dedicating a majority of his time on matters related to performance of his duties as a director of the Company and to the fulfillment of his obligations to the Company's research and development efforts under the consulting agreement, and the Company will have the right to adjust the amount of the fees payable under the consulting agreement to the extent of any substantial diminution in his fulfillment of such duties and obligations. The foregoing description of the Consulting Agreement and Side Letter Agreement is qualified in its entirety by reference to the Consulting Agreement and the Side Letter Agreement, copies of which are filed as Exhibits 10.1 and 10.2, respectively, hereto and are incorporated by reference in this report. During the years ended December 31, 2021 and 2020, the Company recognized an aggregate of $84,466 and $0, respectively, in consulting fees to Innovation.

Pursuant to a Premium Finance Agreement, dated June 14, 2021, between the Company and AFCO Acceptance Corporation "AFCO", the Company is obligated to pay AFCO an aggregate sum of $238,696 in eleven payments of $20,290, at a 4.350% annual interest rate, commencing on June 1, 2021 and ending on April 1, 2022. This payment has been adjusted to $19,860 due to returned premium. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement. As of December 31, 2021, the Company had not defaulted on its payment obligations under this agreement.

Pursuant to a Premium Finance Agreement, dated October 29, 2021, between the Company and AFCO Acceptance Corporation "AFCO", the Company is obligated to pay AFCO an aggregate sum of $1,122,858 in eleven payments of $102,078, at a 4.650% annual interest rate, commencing on November 1, 2021 and ending on September 1, 2022. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement. As of December 31, 2021, the Company had not defaulted on its payment obligations under this agreement.

On November 19, 2018, the Company entered into a $1,000,000 revolving line of credit agreement with a bank. Payments for the advances under the line bear interest at the LIBOR Daily Floating Rate plus 2.5 percentage points commencing January 1, 2019. The line of credit matured on November 19, 2020, at which time the unpaid principal, interest, or other charges outstanding under the agreement are due and payable. On November 5, 2020, the Company executed an amendment to the line of credit to extend the line of credit facility through November 19, 2021. The amendment took retroactive effect to October 27, 2020 and introduced an index floor so that payments for any future advances will bear interest at the greater of the LIBOR Daily Floating Rate or an Index Floor of 1.25 percentage points plus 2.5 percentage points. Obligations under the line of credit are secured by equipment and fixtures in the United States of America, accounts receivable and inventory of Leatt Corporation and Two-Eleven Distribution, LLC. On March 1, 2021, we executed a second amendment to the line of credit. The amendment took retroactive effect to February 17, 2021, extended the line of credit facility through February 28, 2023 and increased the revolving line of credit to $1,500,000. Effective January 21, 2022, the Company executed an amendment to the line of credit to extend the line of credit facility through February 28, 2023 and to replace interest determined by LIBOR Daily Floating Rate with the Bloomberg Short-Term Bank Yield Index rate. As of December 31, 2021, there were no advances of the line of credit leaving $1,500,000 of the line of credit available for advance.

On December 29, 2021, Two Eleven entered into a Loan and Security agreement with the bank effective December 17, 2021 to finance equipment. The Equipment Note financed under the Loan and Security Agreement has a total value of $272,519, payable in 36 consecutive monthly installments commencing February 5, 2022, and continuing to January 5, 2025. Interest shall accrue on the entire principal amount of this Equipment Note outstanding from time to time at a fixed rate of 3.5370% per annum. The principal and interest amount of each payment shall be $7,990. As of December 31, 2021, the full amount of $272,519 was outstanding.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. We have identified the following as the items that require the most significant judgment and often involve complex estimation: revenue recognition, estimating allowances for doubtful accounts receivable, inventory valuation, impairment of long-lived assets, leases and accounting for income taxes.

Revenue and Cost Recognition - The Company recognizes revenue in accordance with ASC 606 "Revenues from Contracts with Customers". As such the Company has and will continue to review its performance obligations in terms of material customer contractual arrangements in order to verify that revenue is recognized when performance obligations are satisfied on a periodic basis.

All manufacturing of Leatt products is performed by third party subcontractors that are predominately based in China.

The Company's products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area or where consumers choose to purchase directly via the Company's e-commerce website (collectively the "customers").

Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect where no exchange of product is possible. Revenues are recognized when our performance obligations are satisfied as evidenced by transfer of control of promised goods to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Product royalty income, representing less than 1% of total revenues, is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

Our standard distributor payment terms range from pre-payment in full to sixty (60) days after shipment and subsequent sales of our products by distributors have no effect on the amount and timing of payments due to us, however, in limited instances, qualified distributors and dealers may be granted extended payment terms during selected order periods. In performing such evaluations, the Company utilizes historical experience, sales performance, and credit risk requirements. Furthermore, products purchased by distributors may not be returned to the Company in the event that any such distributor relationship is terminated.

Since the Company (through its wholly-owned subsidiary) serves as the distributor of Leatt products in the United States, the Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the dealer or to the ultimate consumer when there is no dealer in the geographic area or the consumer chooses to purchase directly from the Company's e-commerce website and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer.

The Company's standard terms and conditions of sale for non-consumer direct or web-based sales do not allow for product returns other than under warranty.

International sales (other than in the United States and South Africa) are generally drop-shipped directly from our consolidation warehouse or third-party manufacturer to the international distributors. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point, Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned and exchanged due to product quality issues. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products. Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

The Company reviews the reserves for customer returns at each reporting period and adjusts them to reflect data available at that time. To estimate reserves for returns, the Company estimates the expected returns and claims based on historical rates as well as events and circumstances that indicate changes to historical rates of product returns and claims. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. The provision for estimated returns at December 31, 2021 and 2020 were $0 and $0, respectively.

Sales commissions are expensed when incurred, which is generally at the time of sale or cash received from customers, because the amortization period would have been one year or less. These costs are recorded in commissions and consulting expenses within operating expense in the accompanying consolidated statements of operations and comprehensive income.

Shipping and handling activities associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a fulfilment cost and are included in revenues and cost of revenues in the accompanying consolidated statements of operations and comprehensive income.

Revenue recognized from contracts with customers is recorded net of sales taxes, value added taxes, or similar taxes that are collected on behalf of local taxing authorities.

Allowance for Doubtful Accounts Receivable - Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. We continuously monitor collections and payments from customers and maintains an allowance for doubtful accounts receivable based upon historical experience and any specific customer collection issues that have been identified. In determining the amount of the allowance, we are required to make certain estimates and assumptions. Accounts receivable balances that are still outstanding after we have used reasonable collection efforts are written off as uncollectible. While such credit losses have historically been minimal, within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of any of our significant customers could have a material adverse effect on the collectability of our accounts receivable and our future operating results. The allowance for doubtful accounts at December 31, 2021 was $291,584 and at December 31, 2020 was $101,885.

Inventory Valuation - Inventory is stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, we make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, we utilize historical experience as well as current market information. The reserve for obsolescence at December 31, 2021 was $116,183 and at December 31, 2020 was $116,591.

Impairment of Long-Lived Assets - Our long-lived assets include property and equipment. We evaluate our long-lived assets for recoverability whenever events or changes in circumstances indicate that an asset may be impaired. In evaluating an asset for recoverability, we estimate the future cash flow expected to result from the use of the asset and eventual disposition. If the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair value of the asset, is recognized. We have determined there were no impairment charges during the years ended December 31, 2021 and 2020.

Operating Leases - The Company determines if an arrangement is a lease at contract inception. Operating leases are included in the right-of-use assets ("ROU''), and lease liability obligations are included in the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset of the lease term and lease liability obligations represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. As the Company's leases typically do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives and lease direct costs. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

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

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the respective dates of adoption, or expected adoption and effects on our consolidated financial position, results of operations and cash flows.

Off-Balance Sheet Arrangements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Some of our operations are carried out in the Republic of South Africa, or RSA, and we are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. Accordingly, our business, financial condition and results of operations may be influenced by the political, economic and legal environments in the RSA, and by the general state of the RSA economy. Our results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Foreign Exchange Risk

We are exposed to foreign exchange risk as our revenues and consolidated results of operations may be affected by fluctuations in foreign currency as we translate these currencies into U.S. dollars when we consolidate our financial results. Operating outside of the United States further exposes us to foreign exchange risk, which we monitor. We are most sensitive to changes in the exchange rates of the South African rand, the renminbi, the euro and the U.S. dollar. We have more ZAR expenses than we do sales in South Africa. Furthermore, a portion of our consolidated revenues are denominated in South African Rand, or ZAR, certain of our assets are denominated in ZAR, and our research and marketing operations in South Africa utilize South African labor sources. A decrease in the value of the U.S. dollar in relation to the ZAR could increase our cost of doing business in South Africa. Alternatively, if the ZAR depreciates against the U.S. Dollar, the value of our ZAR revenues, earnings and assets as expressed in our U.S. Dollar financial statements will decline. In China we have more renminbi expenses than we do sales, because we manufacture our products in China that we sell globally. A decrease in the value of the U.S. dollar in relation to the renminbi could increase our cost of purchasing products in China. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk. In Europe we have significantly more sales than we do expenses. Since 72% of our sales is derived outside the U.S. where the U.S. dollar is not the primary currency, significant fluctuations in exchange rates such as the strengthening of the dollar versus our customers' local currency can adversely affect our ability to remain competitive in those areas.

Inflation

Inflationary factors such as increases in the cost of our sales and overhead costs may adversely affect our operating results. During the year ended December 31, 2021, the Company experienced inflationary cost increases that had an impact on both cost of sales, gross margins and selling, general and administrative expenses. During the second half of 2021, the Company was able to increase pricing in order to off-set a portion of these costs. A high rate of inflation in the future may have a significant adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The full text of our audited consolidated financial statements as of December 31, 2021 and 2020 begins on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, Mr. Sean Macdonald, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer determined that, as of December 31, 2021, and as of the date that the evaluation was completed, our disclosure controls and procedures were effective.

Internal Controls over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP, and includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and

(3) 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.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, management used the framework set forth in the report entitled Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting, as of December 31, 2021 was effective.

Because the Company is a smaller reporting company, this annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm.

Changes in Internal Controls over Financial Reporting

There were no changes in its internal controls over financial reporting in 2021 that would materially affect, or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

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

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors, Executive Officers, Promoters and Control Persons

The following sets forth the name and position of each of our current executive officers, directors and significant employees and their ages and titles as of March 4, 2022.

Name	Age	Title
Dr. Christopher James Leatt	53	Founder, Chairman and Research & Development Consultant
Sean Macdonald	44	CEO, CFO, President and Director
Jeffrey Joseph Guzy.....	70	Director

DR. CHRIS LEATT: Dr. Leatt, aged 53, has served as the Company's Chairman since 2005 and as the Company's Research and Development consultant since July 2015. He studied medicine at the University of Cape Town and interned in the United Kingdom. He worked briefly as a General Practitioner and in General Surgery and Orthopaedics before taking up a Registrar's position in Neurosurgery at the Tygerberg Academic Hospital. He resigned from his post in Neurosurgery in order to develop and study the benefits and viability of a neck protection system (the Leatt-Brace®) for helmet clad sport and recreational users in an attempt to reduce devastating neck injuries. Dr. Leatt is a fixed wing PPL pilot, Commercial helicopter pilot and Grade II instructor. He has been an active participant in competitive cross-country motorcycle endurance races, as well as Super Sport and Battle of the Twins (BOTTS) track racing events. He won the Western Province BOTTS championship in 2011.

SEAN MACDONALD: Mr. Macdonald, CA (SA), aged 44, has served as the Company's Chief Executive Officer and President since November 2010, as its Chief Financial Officer since August 2009, and as a Director since May 2010. Prior to joining the Company, Mr. Macdonald served from August 2004 to December 2009, as the Chief Financial Officer of Cyclelab, the largest bicycle retailer in South Africa, where he was responsible for operational, financial and strategic leadership of the business including the implementation of a franchise model in order to grow the business. Mr. Macdonald holds a Bachelor of Commerce Degree in Finance and Information Systems from the University of Cape Town, as well as a Post-Graduate Diploma in Accounting, which included 3 years of articles at KPMG Cape Town. Mr. Macdonald is also a South Africa registered Chartered Accountant.

JEFFREY GUZY: Mr. Guzy, aged 70, has served as a director since April 2007 and serves as a business development consultant and entrepreneur in Arlington, Virginia. Mr. Guzy is currently working as Chairman and CEO of CoJax Oil and Gas Corporation (OTC.CJAX). Prior to that, Mr. Guzy served, from October 2007 to August 2010 as our President. Mr. Guzy has a MBA in Strategic Planning and Management from The Wharton School of the University of Pennsylvania; a M.S. in Systems Engineering from the University of Pennsylvania; a B.S. in Electrical Engineering from Penn State University; and a Certificate in Theology from Georgetown University. Mr. Guzy has served as an executive manager or consultant for business development, sales, customer service and management in the telecommunications industry, specifically, with IBM Corp., Sprint International, Bell Atlantic Video Services, Loral CyberStar and FaciliCom International. Mr. Guzy has also started his own telecommunications company providing Internet services in Western Africa. He serves as an independent director and chairman of the audit committee of public companies, Capstone Industries (OTC.CAPC) and Purebase Corporation (OTC.PUBC), and as an independent director and chairman of the audit committee and the corporate governance committee of Blue Star Foods Corporation (NASDAQ.BSFC) a public company.

There are no agreements or understandings for any of our executive officers, directors or significant employees to resign at the request of another person and no officer or director is acting on behalf of nor will any of them act at the direction of any other person.

Qualifications, Attributes, Skills and Experience Represented on the Board

The Board has identified particular qualifications, attributes, skills and experience that are important to be represented on the board as a whole, in light of our current needs and business priorities. The Board believes that each director is a recognized person of high integrity with a proven record of success in his or her field. Each director demonstrates innovative thinking, familiarity with and respect for corporate governance requirements and practices, an appreciation of multiple cultures and a commitment to the business and operations of the Company. In addition to the foregoing qualifications, the Board has assessed the intangible qualities including the director's ability to ask difficult questions and, simultaneously, to work collegially. The Board also considers diversity of age, cultural background and professional experiences in evaluating candidates for Board membership. Diversity is important because a variety of points of view contribute to a more effective decision-making process.

Set forth below is a tabular disclosure summarizing some of the specific qualifications, attributes, skills and experiences of our directors.

Name	Title	Qualifications
Dr. Christopher James Leatt ...	Founder, Chairman and Head of Research & Development	• Dr. Leatt holds a Bachelor of Medicine and Bachelor of Surgery Degree and is the inventor of the Leatt Brace® and the Founder of the Company. • He supports the Company's research and development department and has an intimate knowledge of the Company's innovative products. • He contributes invaluable long-term knowledge of the Company's business and operations and extensive experience in the industry.
Sean Macdonald	CEO, CFO, President and Director	• Mr. Macdonald is a registered Chartered Accountant and holds a Bachelor of Commerce Degree in Finance and Information Systems and a Post-Graduate Diploma in Accounting. • His invaluable experience in finance and accounting provides insight for the implementation of effective operational, financial and strategic leadership of the Company.
Jeffrey Joseph Guzy.....	Director	• Through his MBA in Strategic Planning & Management and his knowledge of U.S. capital markets, Mr. Guzy provides invaluable guidance and perspective to the Board. • He has also served as the Company's President and has invaluable long-term knowledge of the Company's business and operations.

Family Relationships

There are no family relationships among our directors or officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self- regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Except as set forth in our discussion below in "Certain Relationships and Related Transactions, and Director Independence - Transactions with Related Persons," none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Significant Employees

Name	Age	Position
Erik Olsson	54	International General Manager and Head of International Distribution
Todd Repsher	51	U.S. General Manager

ERIK OLSSON: Mr. Olsson, aged 54, has served as our International General Manager and Head of International Distribution since January 2012. Prior to that, Mr. Olsson served from January 2010 to December 2011, as European General Manager and later as General Manager of Asia, Europe, the Middle-East and the Central Pacific (Oceania). Mr. Olsson has over 15 years' experience as a sales and product manager for various companies in the power sports industry. Prior to joining us he served from January 2003 to December 2009 as Area Manager for Jofrab Ab, a Swedish distributor of motorcycles and recreational vehicles.

TODD REPSHER: Mr. Repsher, aged 51, has served as our U.S. General Manager since 2016 and served as our US National Sales Manager since March 2014. Mr. Repsher is an award-winning sales executive with over fifteen years' experience in the marketing and sales of sports orientated companies in North America. Prior to joining us he was the National Sales Manager for Switzerland-based Scott Sports, Inc. from 2011 to 2013, where he managed the sale and distribution of all North American motorsports (off-road, on-road, snowmobile) apparel and accessories for Scott Sports. Prior to that, Mr. Repsher served, from 2002 to 2011, as the Outside Sales Territory Manager for California-based Fox Racing, Inc.

Stockholder Communication with the Board of Directors

Stockholders may communicate with the Board by sending a letter to our Board of Directors, c/o Corporate Secretary, 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7550 for submission to the board or committee or to any specific director to whom the correspondence is directed. Stockholders communicating through this means should include with the correspondence evidence, such as documentation from a brokerage firm, that the sender is a current record or beneficial stockholder of the Company. All communications received as set forth above will be opened by the Corporate Secretary or his designee for the sole purpose of determining whether the contents contain a message to one or more of our directors.

Any contents that are not advertising materials, promotions of a product or service, patently offensive materials or matters deemed, using reasonable judgment, inappropriate for the Board will be forwarded promptly to the chairman of the Board, the appropriate committee or the specific director, as applicable.

Code of Ethics

We have adopted a written code of ethics that applies to all of our officers, directors and employees, including our principal executive officer and principal financial officer, or persons performing similar functions, a copy of which is attached as an exhibit to this report.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table Update

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the following persons for services rendered in all capacities during the indicated periods. No other executive officers received total annual salary and bonus compensation in excess of $100,000.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)[1]	Non-Equity Incentive Plan Compensation Earnings ($)	Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Dr. Christopher James Leatt,									
Chairman and Head of	2019	66,000	--	--	45,454	--	--	485,220	596,674
Research and	2020	63,250	--	34,080	11,446	--	--	476,629	585,405
Development(2)	2021	71,730	--	164,666	11,446	--	--	506,796	754,638
Sean Macdonald, ...	2019	269,901	60,000	--	68,181	--	--	--	398,082
President, CEO, CFO	2020	242,171	80,000	50,268	17,166	--	--	--	389,605
and Director	2021	309,393	150,000	242,206	17,166	--	--	--	718,765
Todd Repsher	2019	192,000	7,250	--	9,904	--	--	7434	216,588
U.S. National sales manager	2020	188,265	25,000	29,820	6,602	--	--	7,821	257,508
	2021	213,600	40,000	82,084	6,602	--	--	1,712	343,998

(1) The option awards reflect a 1-for-25 reverse split effected by the Company on September 20, 2012.

(2) Also reflects compensation to Dr. Leatt in his capacity as our Research and Development consultant as discussed under the *Summary of Employment Agreements* heading below. Compensation received by Dr. Leatt in his role as Chairman of the Company's board of directors is separately reflected under the Compensation heading below.

Summary of Employment Agreements

We have entered into an employment agreement, effective as of January 1, 2014, with Sean Macdonald our President, CEO and CFO, pursuant to which, as amended, we were obligated to pay him a base salary of R2,927,758 (approximately $199,985) and $70,511 per annum. Mr. Macdonald further will receive a travel allowance of R114,010 (approximately, $7,788), medical and life insurance benefits, participation in the Company's new provident fund, the right to participate in the Company's executive wellness program and he is entitled to an annual performance-based bonus at the sole discretion of the Company's Board of Directors. Effective January 1, 2022, the Company and Mr. Macdonald agreed to amend the employment agreement to increase his base salary to R 3,570,000 (approximately $228,616) and $94,200 per annum, subject to guaranteed minimum exchange rate. Mr. Macdonald further will receive a travel allowance of R114,010 (approximately, $7,300), medical and life insurance benefits, participation in the Company's new provident fund, the right to participate in the Company's executive wellness program and he is entitled to an annual performance-based bonus at the sole discretion of the Company's Board of Directors. Mr. Macdonald may not sell any stock issued to him by the Company without prior written consent of the Board of Directors. Mr. Macdonald is also subject to the customary confidentiality covenants and South African Labor Laws which entitle Mr. Macdonald to one week's severance pay for each year of service to the Company. The agreement may be terminated by either party with six months' written notice; provided that Mr. Macdonald will be obligated to assist in the appointment and orientation of his successor during such six-month period. Mr. Macdonald may also be terminated by the Company with no notice for gross misconduct, incapacity or for breach of the employment agreement.

We have entered into an employment agreement, effective as of March 3, 2014, with Todd Repsher, our U.S. General Manager, pursuant to which, as amended, we were obligated to pay him a base salary from $17,800 per month. Effective January 1, 2022, his base salary increased to $ 19,255 per month. Mr. Repsher also receives coverage under the Company's employment benefit plans and is subject to customary confidentiality and indemnification requirements. The agreement may be terminated at any time by the Company and upon three months' written notice by Mr. Repsher, however, in advance of any termination based on neglect of duty or breach of the employment agreement, the Company may, in its sole discretion, give Mr. Repsher 15 days' advance notice with an opportunity to cure the deficiency. The agreement is subject to California law and disputes under the agreement are subject to resolution by arbitration.

Dr. Christopher Leatt is compensated in his capacity as our Research and Development consultant, pursuant to our Consulting Agreement, dated November 8, 2021, with Innovation Services Limited, or Innovation, a Jersey limited company in which, Dr. Leatt is an indirect beneficiary. Pursuant to the terms of the agreement, Innovation has agreed to serve as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided, however, that Dr. Leatt must remain an Innovation director and beneficiary of a majority of its ownership interests during the term of the agreement, and Dr. Leatt must remain the Company's primary point of contact responsible for the oversight, review and delivery of the services to be performed by Innovation under the agreement. Innovation may increase its monthly fees, on an annual basis, by no greater than the lesser of: (a) two and one-half percent (2.5%) of the prior year's annualized fee; or (b) a percentage equal to then-applicable annual percentage increase in the Consumer Price Index (CPI) published by the United States Department of Labor's bureau of labor statistics, plus one-half percent (0.5%). The parties further agreed that all intellectual property generated in connection with the services provided under the consulting agreement will be the sole property of the Company. The consulting agreement was effective as of November 1, 2021 and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the consulting agreement upon 6 months' prior written notice, except that the consulting agreement may be terminated by the Company immediately without notice if the services to be performed by Innovation cease to be performed by Dr. Leatt, if beneficial ownership in Innovation by Dr. Leatt's and his immediate family members decreases, or for any other material breach of the agreement. The parties have agreed to settle any dispute under the consulting agreement by submission to JAMS for final and binding arbitration pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules. The Company also simultaneously entered into a side letter agreement, dated November 8, 2021, with Dr. Leatt, pursuant to which Dr. Leatt agreed, among other things: (1) not to perform services similar to the services provided under the agreement for any current or future, direct or indirect competitor of the Company or any similar company; (2) not to solicit any current or future employees of the Company for employment with Innovation or any other entity with which he may become affiliated, or to contact or solicit any current or future stockholder or investor of the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company; and (3) that he will apprise the Company of any business opportunity that he becomes aware of that could benefit the Company so that the Company, can in its sole discretion, make a determination regarding whether to pursue such opportunity in the best interest of the Company and its stockholders. Dr. Leatt further agreed to continue dedicating a majority of his time on matters related to performance of his duties as a director of the Company and to the fulfillment of his obligations to the Company's research and development efforts under the consulting agreement, and the Company will have the right to adjust the amount of the fees payable under the consulting agreement to the extent of any substantial diminution in his fulfillment of such duties and obligations. This agreement replaced a prior agreement from June 2018 to November 2021, on the same payment terms and conditions with Innovate Services Limited, a Seychelles company, beneficially owned by Dr. Leatt, that wound up operations.

Grants of Plan-Based Awards

The following table sets forth information regarding equity grants to named executive officers during the fiscal year ended December 31, 2021, including prior year grants that vested during the period**.**

Name	Grant Date	All other stock awards: Number of shares of stock or units	All other option awards: Number of securities underlying options	Exercise or base price of option awards ($/Share)	Grant date fair value of stock and option awards ($)
Dr. Christopher Leatt	2/25/2019	--	52,000	$ 2.30	$ 119,600
Sean Macdonald	2/25/2019	--	78,000	$ 2.30	$ 179,400
Todd Repsher	2/25/2019	--	30,000	$ 2.30	$ 69,000
Dr. Christopher Leatt	12/29/2020	8,000	--	$ 7.10	$ 56,800
Sean Macdonald	12/29/2020	11,800	--	$ 7.10	$ 83,780
Todd Repsher	12/29/2020	7,000	--	$ 7.10	$ 49,700
Dr. Christopher Leatt	12/31/2021	8,500	--	$ 30.06	$ 255,510
Sean Macdonald	12/31/2021	12,500	--	$ 30.06	$ 375,750
Todd Repsher	12/31/2021	4,000	--	$ 30.06	$ 120,240

Outstanding Equity Awards at Fiscal Year End

The following table sets forth the equity awards outstanding at December 31, 2021 for each of our named executive officers.

	OPTION AWARDS				
Name	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
Dr. Christopher Leatt.....	52,000	--	--	$ 2.60	March 28, 2026
Todd Repsher.....	39,000	--	--	$ 2.60	March 28, 2026
Dr. Christopher Leatt.....	52,000	--	--	$ 1.60	August 23, 2027
Sean Macdonald	22,000	--	--	$ 1.60	August 23, 2027
Dr. Christopher Leatt.....	36,400	15,600	--	$ 2.30	February 24, 2029
Sean Macdonald	54,600	23,400	--	$ 2.30	February 24, 2029
Todd Repsher.....	21,000	9,000	--	$ 2.30	February 24, 2029

On March 29, 2016, the Board of Directors of the Company approved the grant to Dr. Christopher Leatt, the Company's Chairman, of a 10-year option under the Company's 2011 Plan, to purchase 52,000 shares of the Company's common stock at an exercise price of $2.60 a share, 15,600 of which immediately vested. The initial option grant to Dr. Leatt had vesting scheduled for the remaining underlying shares on December 31, 2017 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026 and the December 31, 2017 vesting date was eliminated. The option to purchase 15,600 of the shares vested on March 29, 2017, and the remaining options to purchase 20,800 shares vested in two equal portions on March 29, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date. On August 24, 2017, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, 20,800 of which vested on December 31, 2017, 15,600 of which vested on December 31, 2018, and the remaining 15,600 of which vested on December 31, 2019. On February 25, 2019, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 15,600 (30%) of which vested on February 25, 2019, another 10,400 of which vested on February 25, 2020, and another 10,400 of which vested on February 25, 2021. The remaining 15,600 (30%) shares vested on February 25, 2022.

On March 29, 2016, the Board approved the grant to Sean Macdonald, the Company's Chief Executive Officer and Chief Financial Officer, of a 10-year option under the Company's 2011 Plan, to purchase 78,000 shares of the Company's common stock at an exercise price of $2.60 a share, 23,400 of which immediately vested. The initial option grant to Mr. Macdonald had vesting scheduled for the remaining underlying shares on December 31, 2017 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2017 vesting date was eliminated. Options to purchase 23,400 shares vested on March 29, 2017, and the remaining options to purchase 15,600 shares and 15,600 shares vested on March 29, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date. On November 16, 2021, Mr. Macdonald exercised 78,000 of these options. On August 24, 2017, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, options to purchase 31,200 shares vested on December 31, 2017, options to purchase another 23,400 vested on December 31, 2018, and the remaining options to purchase 23,400 shares vested on December 31, 2019. On November 16, 2021, Mr. Macdonald exercised 56,000 of these options and 22,000 options remain. On February 25, 2019, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 23,400 (30%) of which vested on February 25, 2019, another 15,600 of which vested on February 25, 2020, and another 15,600 of which vested on February 25, 2021. The remaining 23,400 (30%) shares vested on February 25, 2022.

On March 29, 2016, the Board approved the grant to Todd Repsher, the Company's U.S. General Manager, of a 10-year option under the Company's 2011 Plan, to purchase 39,000 shares of the Company's common stock at an exercise price of $2.60 a share, 11,700 of which immediately vested. Options to purchase 11,700 shares vested on March 29, 2017, and the remaining options to purchase 7,800 shares and 7,800 shares vested on March 29, 2018 and 2019, respectively. These options will expire on March 28, 2026. On February 25, 2019, the Board approved a grant to Mr. Repsher of a 10-year option to purchase 30,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 9,000 (30%) of which vested on February 25, 2019, another 6,000 of which vested on February 25, 2020, and another 6,000 of which vested on February 25, 2021. The remaining 9,000 (30%) shares vested on February 25, 2022.

Option Exercises and Stock Vested

Except as set forth below, no named executive officers exercised stock options, stock appreciation rights or similar instruments or had vesting stock during the fiscal year ended December 31, 2021.

On February 25, 2019, the Board of Directors of the Company approved the grant to Dr. Leatt, a 10-year option to purchase 52,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 15,600 (30%) of which vested on February 25, 2019, another 10,400 of which vested on February 25, 2020, and another 10,400 of which vested on February 25, 2021. The remaining 15,600 (30%) shares vested on February 25, 2022. On December 29, 2020, the Company's Board approved the award of 8,000 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (4,800 shares) of the restricted stock vested immediately, on the date of the award, twenty percent (1,600 shares) vested on December 29, 2021, and the remaining 20% (1,600 shares) will vest on December 29, 2022, so long as Dr. Leatt continues to serve as Chairman of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On December 22, 2021, the Board approved the award of 8,500 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (5,100 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (3,400 shares) will vest in four equal instalments on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company.

On February 25, 2019, the Board approved a grant to Mr. Macdonald, of a 10-year option to purchase 78,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 30% or 23,400 of which vested February 25, 2019. Options to purchase another 20%, or 15,600 shares, vest on February 25, 2020, options to purchase another 20% or 15,600 shares, vest on February 25, 2021 and options to purchase the remaining 30% or 23,400 shares vested on February 25, 2022. On December 29, 2020, the Company's Board approved the award of 11,800 restricted shares of the Company's common stock to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (7,080 shares) of the restricted stock vested immediately, on the date of the award, twenty percent (2,360 shares) vested on December 29, 2021, and the remaining 20% (2,360 shares) will vest on December 29, 2022, so long as Mr. Macdonald continues to serve as Chief Executive Officer of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On December 22, 2021, the Board approved the award of 12,500 restricted shares of the Company's common stock to Mr Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (7,500 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (5,000 shares) will vest in four equal instalments on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On November 16, 2021, Mr. Macdonald exercised an option to purchase 78,000 shares of common stock at an exercise price of $2.60 a share and 56,000 shares of common stock at an exercise price of $1.60 under the 2011 Plan.

On February 25, 2019, the Board approved a grant to Mr. Guzy, of a 10-year option to purchase 15,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 30% or 4,500 of which vested February 25, 2019. Options to purchase another 20% or 3,000 shares, vested on February 25, 2020, options to purchase another 20% or 3,000 shares, vested on February 25, 2021 and options to purchase the remaining 30% or 4,500 shares vested on February 25, 2022. On December 29, 2020, the Company's Board approved the award of 2,250 restricted shares of the Company's common stock to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (1,350 shares) of the restricted stock vested immediately, on the date of the award, 20% (450 shares) vested on December 29, 2021 and the remaining 20% (450 shares) will vest on December 29, 2022, so long as Mr. Guzy continues to serve as a director of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On December 22, 2021, the Board approved the award of 1,000 restricted shares of the Company's common stock to Mr Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (600 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (400 shares) will vest in four equal instalments on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On December 20, 2021, Mr. Guzy exercised an option to purchase 10,000 shares of common stock at an exercise price of $2.60 a share under the 2011 Plan.

On February 25, 2019, the Board approved a grant to Mr. Repsher, of a 10-year option to purchase 30,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 9,000 (30%) of which vested on February 25, 2019, another 6,000 of which vested on February 25, 2020, and another 6,000 of which vested on February 25, 2021. The remaining 9,000 (30%) shares vested February 25, 2022. On December 29, 2020, the Company's Board approved the award of 7,000 restricted shares of the Company's common stock to Mr. Repsher, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (4,200 shares) of the restricted stock vested immediately, on the date of the award, 20% (1400 shares) vested on December 29, 2021 and the remaining 20% (1,400 shares) vested on December 29, 2022, so long as Mr. Repsher continues to serve as a director of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On December 22, 2021, the Board approved the award of 4,000 restricted shares of the Company's common stock to Mr Repsher, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (2,400 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (1,600 shares) will vest in four equal instalments on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company.

Pension Benefits

The Company and its U.S. employees participate in a defined contribution plan under Section 401(k) of the Internal Revenue Code (IRC). None of the named executive officers received or held benefits under a defined pension benefit plan and the Company did not maintain a defined pension benefit plan during the fiscal year ended December 31, 2021.

Nonqualified Deferred Compensation

No nonqualified deferred compensation was offered or issued to any named executive officer during the fiscal year ended December 31, 2021.

Potential Payments upon Termination or Change in Control

Our named executive officers are not entitled to severance payments or other benefit upon the termination of their employment agreements or following a change in control.

Compensation of Directors

The following table sets forth the total director compensation earned by our directors during our fiscal year ended December 31, 2021:

Name	Fees Earned or paid in cash ($)	Stock awards ($)	Option awards ($)	All other compensation ($)	Total ($)
Dr. Christopher James Leatt	71,730	164,666	11,446	-	247,842
Jeffrey J. Guzy.....	11,820	21,231	3,301	-	36,352
Sean Macdonald	11,820	242,206	17,166	-	271,192

Narrative to Director Compensation Table

During the 2021 fiscal year, we paid our directors, other than Dr. Leatt, $985 per month compensation for their services as our directors. Effective January 1, 2022, we will pay Jeff Guzy and Sean Macdonald $2,000 and $1,500 per month, respectively, for their services as directors. In the future, we may adopt a policy of paying independent directors a fee for their attendance at board and committee meetings. We also reimburse our directors for reasonable travel expenses related to their duties as our directors.

On July 8, 2015, the Company entered into a Director Agreement with Board Chairman, Dr. Christopher Leatt, pursuant to which, as amended, in addition to his duties with the Company's Research and Development department, Dr. Leatt agreed to devote as much time as is necessary to perform the duties of a director of the Company, including duties as a member of any committees that he may be appointed to by the Board of Directors, including but not limited to assisting the Company with the development of business and new business strategies relating to the objectives of the Company, participation in the Company's investor relations activities, including road shows and shareholder communication activities, and participation in corporate strategy decisions of the Company. Effective January 1, 2022, as compensation for his services Dr. Leatt will receive a base fee of ZAR 95,000.00 per month, approved expenses for travel, medical and life insurance benefits and participation in the Company's Senior Executive Wellness Program, and the Company has agreed to indemnify him to the full extent allowed by law except where such indemnification is prohibited due to intentional misconduct, fraud or knowing violation of law. Either party may terminate the Director Agreement at any time upon six months' written notice unless he resigns from his position or is removed by shareholders of the Company prior to such termination.

On March 29, 2016, the Board of Directors of the Company approved the grant to Dr. Leatt, of a 10-year option under the Company's 2011 Plan, to purchase 52,000 shares of the Company's common stock at an exercise price of $2.60 a share, 15,600 of which immediately vested. The initial option grant to Dr. Leatt had vesting scheduled for the remaining underlying shares on December 31, 2017 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026 and the December 31, 2017 vesting date was eliminated. The option to purchase 15,600 of the shares vested on March 29, 2017, and the remaining options to purchase 20,800 shares vested in two equal portions on March 29, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date. On August 24, 2017, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, 20,800 of which vested on December 31, 2017, 15,600 of which vested on December 31, 2018, and the remaining 15,600 of which vested on December 31, 2019. On February 25, 2019, the Board approved a grant to Dr. Leatt of another 10-year option to purchase 52,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 15,600 (30%) of which vested on February 25, 2019, another 10,400 of which vested on February 25, 2020, and another 10,400 of which vested on February 25, 2021. The remaining 15,600 (30%) shares vested February 25, 2022. On December 29, 2020, the Company's Board approved the award of 8,000 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (4,800 shares) of the restricted stock vested immediately, on the date of the award, twenty percent (1,600 shares) vested on December 29, 2021, and the remaining 20% (1,600 shares) will vest on December 29, 2022, so long as Dr. Leatt continues to serve as Chairman of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On December 22, 2021, the Company's Board approved the award of 8,500 restricted shares of the Company's common stock to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (5,100 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (3,400 shares) will vest in equal parts on March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, so long as Dr. Leatt continues to serve as Chairman of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company.

On November 22, 2016, the Board granted Mr. Guzy, a 10-year option under the Company's 2011 Plan, to purchase 10,000 shares of the Company's common stock, at an exercise price of $2.60 per share. The option to purchase 60% or 6,000 of the shares vested on March 29, 2017, options to purchase another 20% or 2,000 of the shares vested on March 29, 2018, and the option to purchase the remaining 20% or 2,000 shares vested on March 29, 2019. The option will expire on November 21, 2026. On February 25, 2019, the Board approved a grant to Mr. Guzy of another 10-year option to purchase 15,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 30% or 4,500 of which vested February 25, 2019. Options to purchase another 20% or 3,000 shares, vested on February 25, 2020, options to purchase another 20% or 3,000 shares, vested on February 25, 2021 and options to purchase the remaining 30% or 4,500 shares vested February 25, 2022. This option will expire on February 24, 2029. On December 29, 2020, the Company's Board approved the award of 2,250 restricted shares of the Company's common stock to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (1,350 shares) of the restricted stock vested immediately, on the date of the award, 20% (450 shares) vested on December 29, 2021 and the remaining 20% (450 shares) will vest on December 29, 2022, so long as Mr. Guzy continues to serve as a director of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On December 22, 2021, the Company's Board approved the award of 1,000 restricted shares of the Company's common stock to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (600 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (400 shares) will vest in equal parts on March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, so long as Mr. Guzy continues to serve as a director of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company.

On March 29, 2016, the Board approved the grant to Sean Macdonald, the Company's Chief Executive Officer and Chief Financial Officer, of a 10-year option under the Company's 2011 Plan, to purchase 78,000 shares of the Company's common stock at an exercise price of $2.60 a share, 23,400 of which immediately vested. The initial option grant to Mr. Macdonald had vesting scheduled for the remaining underlying shares on December 31, 2017 (30%), March 29, 2017 (20%) and March 29, 2018 (20%), however on November 22, 2016, the Company's board of directors modified the option award to push out the vesting period in line with the Company's expected 2016 fourth quarter performance. As a result of the modification, the option will now expire on March 28, 2026, the December 31, 2017 vesting date was eliminated. Options to purchase 23,400 shares vested on March 29, 2017, and the remaining options to purchase 15,600 shares and 15,600 shares vested on March 29, 2018 and 2019, respectively. The foregoing modification did not affect the exercise price as the fair market value of the underlying shares on the initial grant date was the same as the fair market value on the modification date. On August 24, 2017, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $1.60 a share under the 2011 Plan, options to purchase 31,200 shares vested on December 31, 2017, options to purchase another 23,400 vested on December 31, 2018, and the remaining options to purchase 23,400 shares vested on December 31, 2019. On February 25, 2019, the Board approved a grant to Mr. Macdonald of another 10-year option to purchase 78,000 shares of common stock at an exercise price of $2.30 a share under the 2011 Plan, 23,400 (30%) of which vested on February 25, 2019, another 15,600 of which vested on February 25, 2020, and another 15,600 of which vested on February 25, 2021. The remaining 23,400 (30%) shares vested February 25, 2022. On December 29, 2020, the Company's Board approved the award of 11,800 restricted shares of the Company's common stock to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (7,080 shares) of the restricted stock vested immediately, on the date of the award, 20% (2,360 shares) vested on December 29, 2021 and the remaining 20% (2,360 shares) will vest on December 29, 2022, so long as Mr. Macdonald is fully employed by the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company. On December 22, 2021, the Company's Board approved the award of 12,500 restricted shares of the Company's common stock to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. Sixty percent (7,500 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (5,000 shares) will vest in equal parts on March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022, so long as Mr. Macdonald continues to serve as Chairman of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company.

Limitation of Liability and Indemnification

Section 78.138 of the NRS provides that a director or officer will not be individually liable unless it is proven that (i) the director's or officer's acts or omissions constituted a breach of his or her fiduciary duties, and (ii) such breach involved intentional misconduct, fraud or a knowing violation of the law.

Section 78.7502 of NRS permits a company to indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a threatened, pending or completed action, suit or proceeding if the officer or director (i) is not liable pursuant to NRS 78.138 or (ii) acted in good faith and in a manner the officer or director reasonably believed to be in or not opposed to the best interests of the corporation and, if a criminal action or proceeding, had no reasonable cause to believe the conduct of the officer or director was unlawful.

Section 78.751 of NRS permits a Nevada company to indemnify its officers and directors against expenses incurred by them in defending a civil or criminal action, suit or proceeding as they are incurred and in advance of final disposition thereof, upon receipt of an undertaking by or on behalf of the officer or director to repay the amount if it is ultimately determined by a court of competent jurisdiction that such officer or director is not entitled to be indemnified by the company. Section 78.751 of NRS further permits the company to grant its directors and officers additional rights of indemnification under its articles of incorporation or bylaws or otherwise.

Section 78.752 of NRS provides that a Nevada company may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the company, or is or was serving at the request of the company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as such, whether or not the company has the authority to indemnify him against such liability and expenses.

Our Articles of Incorporation provide that no director or officer of the Company will be personally liable to the Company or any of its stockholders for damages for breach of fiduciary duty as a director or officer; provided, however, that the foregoing provision shall not eliminate or limit the liability of a director or officer (i) for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or (ii) the payment of dividends in violation of Section 78.300 of NRS. In addition, our Bylaws implement the indemnification and insurance provisions permitted by Chapter 78 of the NRS by providing that:

- The Company shall indemnify its directors to the fullest extent permitted by the NRS and may, if and to the extent authorized by the board of directors, so indemnify its officers and any other person whom it has the power to indemnify against liability, reasonable expense or other matter whatsoever.
- The Company may at the discretion of the board of directors' purchase and maintain insurance on behalf of any person who holds or who has held any position identified in the paragraph above against any and all liability incurred by such person in any such position or arising out of his status as such.

Insofar as indemnification by us for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling the company pursuant to provisions of our articles of incorporation and bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Other than as disclosed herein, there is no pending litigation or proceeding involving any of our directors or executive officers to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of March 4, 2022, the stock ownership of (i) each of our executive officers and directors, (i) of all our executive officers and directors as a group, and (iii) of each person known by us to be a beneficial owner of 5% or more of our common stock. Except as otherwise noted, each person listed below is the sole beneficial owner of the shares and has sole investment and voting power of such shares. No person listed below has any option, warrant or other right to acquire additional securities of the Company, except as may be otherwise noted. Unless otherwise specified, the address of each of the persons set forth below is in care of Leatt Corporation, 12 Kiepersol Drive, Atlas Gardens, Contermanskloof Road, Durbanville, Western Cape, South Africa, 7550.

Title of Class		Name & Address of Beneficial Owner	Office, If Any	Amount and Nature Of Beneficial Ownership[2]	Percent of Class [3]
Common Stock, $0.001 Par value	**Class A Voting Convertible Preferred Stock, $0.001 par value[1]**				
Officers and Directors					
X	-	Dr. Christopher J. Leatt [4]	Founder, Innovation Officer and	2,152,614	36.43%
-	X		Chairman	96,000	80.00%
X	-	Jeffrey J. Guzy[5]	Director	69,917	1.21%
-	-	Sean Macdonald[6]	Chief Executive Officer, President and Director	298,539	5.10%
X	**-**	**All officers And directors as A group (persons named above)**		**2,521,070**	**41.86%**
-	X			**96,000**	**80.00%**
5% Shareholders					
X	-	Jean-Pierre De Villiers[7]		404,206	7.02%
-	X			24,000	20.00%

(1) The Preferred Stock votes with the Common Stock at a vote of 100-for-one, subject to adjustments resulting from any future stock splits. The Preferred Stock has priority over the Common Stock in any liquidation preferences but no dividend rights (except as may be declared by the Board). The Common Stock has dividend rights in respect of any dividend distributions when and if declared and paid by the Company. The Common Stock has a claim to any liquidation distribution, subject to the priority claim of the Preferred Stock. No dividends have been paid to date on any securities. There are no other classes of equity securities authorized and issued.

(2) Beneficial Ownership is determined in accordance with the rules of the U.S. Securities and Exchange Commission or "SEC" and generally includes voting or investment power with respect to securities. Each of the beneficial owners listed above has direct ownership of and sole voting power and investment power with respect to the shares of our common stock.

(3) As of the date of this report and after giving effect to the Company's 1-for-25 reverse stock split effected on September 20, 2012 (the "Reverse Split"), the Company has 28,000,000 shares of common stock authorized with 5,751,683 shares issued and outstanding, and 1,120,000 shares of Preferred Stock authorized with 120,000 shares issued and outstanding. For each Beneficial Owner above, any options exercisable or restricted shares vesting within 60 days have been included in the denominator.

(4) Represents (a) 1,991,607 shares of common stock directly held by Dr. Leatt and 5,007 shares of common stock held by members of his immediate family, (b) a vested option to purchase 52,000 shares of common stock at $2.60 per share which expires on March 28, 2026, (c) a vested option to purchase 52,000 shares of common stock at $1.60 per share which will expire on August 23, 2027, (d) a vested option to purchase 52,000 shares of common stock at $2.30 per share which will expire on February 24, 2029, and (e) 16,500 shares of restricted stock awarded to Dr. Leatt, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. The total shares include an award of 8,500 restricted shares of the Company's common stock granted to Dr. Leatt by the Company's Board on December 22, 2021, pursuant to a Restricted Stock Award Agreement under the Company's 2011 Plan. Sixty percent (5,100 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (3,400 shares) will vest in equal parts on March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively, so long as Dr. Leatt continues to serve as Chairman of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company.

(5) Represents (a) 54,917 shares of common stock directly held by Mr. Guzy, (b) a vested option to purchase 15,000 shares of common stock at $2.30 per share which expires on February 24, 2029, and (c) 3,250 shares of restricted stock awarded to Mr. Guzy, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. The total shares include an award of 1,000 restricted shares of the Company's common stock granted to Mr. Guzy by the Company's Board on December 22, 2021, pursuant to a Restricted Stock Award Agreement under the Company's 2011 Plan. Sixty percent (600 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (400 shares) will vest in equal parts on March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively, so long as Mr. Guzy continues to serve as Chairman of the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company.

(6) Represents (a) 198,539 shares of common stock directly held by Mr. Macdonald, (b) a vested option to purchase 22,000 shares of common stock at $1.60 per share which will expire on August 23, 2027, (c) a vested option to purchase 78,000 shares of common stock at $2.30 per share which will expire on February 24, 2029, and (d) 24,300 shares of restricted stock awarded to Mr. Macdonald, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Plan. The total shares include an award of 12,500 restricted shares of the Company's common stock granted to Mr. Macdonald by the Company's Board on December 22, 2021, pursuant to a Restricted Stock Award Agreement under the Company's 2011 Plan. Sixty percent (7,500 shares) of the restricted stock vested on December 31, 2021, and the remaining 40% (5,000 shares) will vest in equal parts on March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively, so long as Mr. Macdonald is fully employed by the Company on such vesting date; provided, however, that any unvested restricted stock will fully vest in the event of any change in control of the Company.

(7) Includes beneficial ownership disclosed on Mr. De Villiers's Schedule 13D/A filed with the Commission on August 26, 2020.

Changes in Control

We do not currently have any arrangements which if consummated may result in a change of control of our Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Transactions with Related Persons

The following includes a summary of transactions since the beginning of the last fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds $120,000, and in which any related person had or will have a direct or indirect material interest (other than compensation described under "Executive Compensation"). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

On March 1, 2006, the Company entered into a Licensing Agreement with Xceed Holdings (formerly, Leatt Brace Holdings), a South African company that is controlled by Dr. Leatt, the Company's Chairman, and by Mr. De Villiers until his resignation on August 29, 2006. Under the terms of the Licensing Agreement, we are obligated to pay Xceed Holdings 4% of neck brace sales revenue billed and received by us, on a quarterly basis based on sales of the previous quarter. During the years ended December 30, 2021 and 2020, the Company paid an aggregate of $327,729 and $196,093, in licensing fees to Xceed Holdings. In addition, pursuant to a separate license agreement between us and Mr. De Villiers, the Company is obligated to pay a royalty fee of 1% of all our billed and received neck brace sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers. Royalties paid to Mr. De Villiers totaled $81,920 and $49,023 for the years ended December 31, 2021 and 2020, respectively.

From May 15, 2015, through October 31, 2021, the Company was party to a consulting agreement, dated July 8, 2015, between the Company and Innovate Services Limited, or Innovate, a Seychelles limited company in which Dr. Leatt is an indirect beneficiary, pursuant to which, as amended, Innovate served as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided that Dr. Leatt personally performs the services to be performed by Innovate under the agreement. Either party had the right to terminate the agreement for convenience, upon six months' prior written notice, or by the Company immediately without notice in the event of Innovate's breach of an obligation under the contract or if Dr. Leatt could no longer perform the services On November 8, 2021, the Company terminated the agreement with Innovate, effective October 31, 2021, in connection with the wind-up of Innovate's business operations. The termination of the agreement with Innovate will not have an adverse effect on the Company's research and development operations as the Company simultaneously entered into a new consulting agreement with Innovation Services Limited, Jersey limited company beneficially owned by Dr. Leatt, for the same research, development and marketing services, and on substantially the same terms and conditions as the terminated agreement. During the years ended December 31, 2021 and 2020, the Company recognized an aggregate of $422,330 and $476,629, respectively, in consulting fees to Innovate.

On November 8, 2021, the Company entered into a consulting agreement with Innovation Services Limited, a Jersey limited company in which, Dr. Christopher Leatt, the Company's founder and chairman, is an indirect beneficiary. Pursuant to the terms of the agreement, Innovation has agreed to serve as the Company's exclusive research, development and marketing consultant, in exchange for a monthly fee of $42,233; provided, however, that Dr. Leatt must remain an Innovation director and beneficiary of a majority of its ownership interests during the term of the agreement, and Dr. Leatt must remain the Company's primary point of contact responsible for the oversight, review and delivery of the services to be performed by Innovation under the agreement. Innovation may increase its monthly fees, on an annual basis, by no greater than the lesser of: (a) two and one-half percent (2.5%) of the prior year's annualized fee; or (b) a percentage equal to then-applicable annual percentage increase in the Consumer Price Index (CPI) published by the United States Department of Labor's bureau of labor statistics, plus one-half percent (0.5%). The parties further agreed that all intellectual property generated in connection with the services provided under the consulting agreement will be the sole property of the Company. The consulting agreement was effective as of November 1, 2021, and will continue unless terminated by either party in accordance with its terms. Either party has the right to terminate the consulting agreement upon 6 months' prior written notice, except that the consulting agreement may be terminated by the Company immediately without notice if the services to be performed by Innovation cease to be performed by Dr. Leatt, if beneficial ownership in Innovation by Dr. Leatt's and his immediate family members decreases, or for any other material breach of the agreement. The parties have agreed to settle any dispute under the consulting agreement by submission to JAMS for final and binding arbitration pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules. The Company also simultaneously entered into a side letter agreement, dated November 8, 2021, with Dr. Leatt, pursuant to which Dr. Leatt agreed, among other things: (1) not to perform services similar to the services provided under the agreement for any current or future, direct or indirect competitor of the Company or any similar company; (2) not to solicit any current or future employees of the Company for employment with Innovation or any other entity with which he may become affiliated, or to contact or solicit any current or future stockholder or investor of the Company in connection with any matter that is not directly related to the ongoing or future business operations of the Company; and (3) that he will apprise the Company of any business opportunity that he becomes aware of that could benefit the Company so that the Company, can in its sole discretion, make a determination regarding whether to pursue such opportunity in the best interest of the Company and its stockholders. Dr. Leatt further agreed to continue dedicating a majority of his time on matters related to performance of his duties as a director of the Company and to the fulfillment of his obligations to the Company's research and development efforts under the consulting agreement, and the Company will have the right to adjust the amount of the fees payable under the consulting agreement to the extent of any substantial diminution in his fulfillment of such duties and obligations. During the years ended December 31, 2021 and 2020, the Company recognized an aggregate of $84,466 and $0, respectively, in consulting fees to Innovation.

Except as set forth in our discussion above, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Policies and Procedures for Review, Approval or Ratification of Transactions with Related Persons

As we increase the size of our board of directors to include additional independent directors, we expect to prepare and adopt a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and approval or ratification of "related-persons transactions." For purposes of our policy only, a "related-person transaction" will be a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any "related person" are participants involving an amount that exceeds $120,000. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person will not be covered by this policy. A related person will be any executive officer, director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons.

We anticipate that, where a transaction has been identified as a related-person transaction, the policy will require management to present information regarding the proposed related-person transaction to our audit committee (or, where approval by our audit committee would be inappropriate, to another independent body of our board of directors) for consideration and approval or ratification. Management's presentation will be expected to include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available.

To identify related-person transactions in advance, we are expected to rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our board of directors will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

We also expect that the policy will require any interested director to excuse himself from deliberations and approval of the transaction in which the interested director is involved.

Promoters and Certain Control Persons

We did not have any promoters at any time during the past five fiscal years.

Director Independence

Our Board of Directors has determined that our director, Mr. Jeffrey Guzy, is an independent director, as the term "independent" is defined by the rules of the Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Independent Auditors' Fees

The following is a summary of the fees billed to the Company for professional services rendered for the fiscal years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	**2020**
Audit Fees	$ 139,000	$ 128,250
Audit-Related Fees	6,495	15,000
Tax Fees	10,019	9,371
Other fees	337	328
TOTAL	$ 155,851	$ 152,949

"Audit Fees" consisted of fees billed for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our Form 10-K and 10-Qs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

"Audit-Related Fees" consisted of fees billed for assurance and related services by the principal accountant that were reasonably related to the performance of the audit or review of our financial statements and are not reported under the paragraph captioned "Audit Fees" above.

"Tax Fees" consisted of fees billed for professional services rendered by the principal accountant for tax returns preparation.

"All Other Fees" consisted of fees billed for products and services provided by the principal accountant, other than the services reported above under other captions of this Item 14.

Pre-Approval Policies and Procedures

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our auditors must be approved in advance by our board of directors to assure that such services do not impair the auditors' independence from us. In accordance with its policies and procedures, our board of directors pre-approved the audit and non-audit services performed by Fitzgerald & Co, CPAs, P.C. for our financial statements as of and for the year ended December 31, 2021.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES. Financial Statements and Schedules

The financial statements are set forth under Item 8 of this annual report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

Exhibit Number	Exhibit Title
2.1	Settlement Agreement, dated as of September 25, 2008, between Leatt Corp., Christopher J. Leatt and J. P. De Villiers
2.2	Amendment No. 1 to Settlement Agreement, dated February 4, 2010, between Leatt Corp., Christopher J. Leatt and Jean- Pierre De Villiers
3.1	Amended and Restated Articles of Incorporation, as filed with the Secretary of State of Nevada on October 28, 2008
3.2	Amended and Restated Bylaws, adopted on October 28, 2008
4.1	Certificate of Designation of Series A Voting Convertible Preferred Stock, as filed with the Secretary of State of Nevada on October 29, 2008
4.2	Leatt Corp. Amended and Restated 2011 Equity Incentive Plan as amended
4.3	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Dr. Christopher Leatt
4.4	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Sean Macdonald
4.5	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Todd Repsher
4.6	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Erik Olsson
4.7	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Jeffrey Guzy
4.8	Stock Option Agreement, dated November 22, 2016, between Leatt Corp. and Jeffrey Guzy
4.9	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Dr. Christopher Leatt
4.10	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Sean Macdonald
4.11	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Erik Olsson
4.12	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Dr. Christopher Leatt
4.13	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Sean Macdonald
4.14	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Todd Repsher
4.15	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Erik Olsson
4.16	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Dr. Christopher Leatt
4.17	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Sean Macdonald
4.18	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Todd Repsher
4.19	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Erik Olsson
4.20	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Jeffrey Guzy
4.21*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Todd Repsher
4.22*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Erik Olsson
4.23*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Jeffrey Guzy
4.24*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Sean Macdonald
4.25*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Dr. Christopher Leatt
10.1	Consulting Agreement, dated November 8, 2021, between Innovation Services Limited and Leatt Corporation
10.2*	Side Letter Agreement, dated November 8, 2021, between Leatt Corporation and Dr. Christopher Leatt
10.3*	2022-23 Leatt Corporation General Business Terms and Conditions, effective November 1, 2021
10.4*	Lease Agreement, dated February 24, 2022, between Leatt Corp. and Montprop Beleggings (Pty) Ltd
10.5	Lease Agreement, dated December 16, 2020, between Leatt Corp. and AJ Brutus Investments cc.
10.6	Lease Agreement, dated December 16, 2020, between Leatt Corp. and White Pine Investment 78 (Pty) Ltd.
10.7	Lease Agreement, dated December 14, 2020, between Two Eleven Distribution, LLC, and CP Logistics NVCC IV, LLC.
10.8*	Second Amended and Restated Employment Agreement, effective as of January 1, 2009, between Leatt Corp. and Sean Macdonald
10.9	Consulting Agreement, dated July 8, 2015, between Innovate Services Limited and Leatt Corporation (as amended)
10.10	Employment Agreement, dated July 8, 2015, between Innovate Services Limited and Dr. Christopher Leatt
10.11	Side Letter Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt
10.12*	Director Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt (as amended)
10.13*	Director Agreement, dated June 29, 2017, between Leatt Corporation and Sean Macdonald (as amended)

10.14*	Director Agreement, dated January 1, 2017, between Leatt Corporation and Jeffrey Guzy (as amended)
14.1	Code of Ethics
21*	List of Subsidiaries
31.1*	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Interactive data files pursuant to Rule 405 of Regulation S-T
101.INS**	Inline XBRL Instance Document–the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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* Filed herewith

** Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2021 is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at December 31, 2021 and 2020; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2021 and 2020; (iii) Consolidated Statements of Changes in Shareholders' Equity as of and for the years ended December 31, 2021 and 2020; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020; and (vi) Notes to Consolidated Financial Statements. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

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

Dated: March 10, 2022

LEATT CORPORATION

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

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Sean Macdonald Sean Macdonald	Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer)	March 10, 2022
/s/ Dr. Christopher J. Leatt Dr. Christopher J. Leatt	Chairman	March 10, 2022
/s/ Jeffrey J. Guzy Jeffrey J. Guzy	Director	March 10, 2022

LEATT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

LEATT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

CONTENTS **PAGE**

FITZGERALD & CO., CPAs, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Leatt Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of **LEATT CORPORATION** (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Fitzgerald + Co., CPAs, P.C.

We have served as the Company's auditor since 2008.

Vienna, Virginia
March 10, 2022

PCAOB: 58

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CPA Associates International, Inc., a consortium of independent CPA firms with members in Principal U.S. and International Cities

LEATT CORPORATION

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 and 2020

ASSETS

	2021	2020
Current Assets		
Cash and cash equivalents	$ 5,022,436	$ 2,967,042
Short-term investments	58,262	58,257
Accounts receivable, net	12,660,936	7,173,829
Inventory, net	21,081,481	9,670,036
Payments in advance	1,610,640	805,098
Income tax refunds receivable	-	2,964
Prepaid expenses and other current assets	4,178,427	2,109,190
Total current assets	44,612,182	22,786,416
Property and equipment, net	3,128,086	3,052,276
Operating lease right-of-use assets, net	1,393,213	285,932
Deferred tax asset, net	-	78,700
Other Assets		
Deposits	33,339	33,699
Total Assets	$ 49,166,820	$ 26,237,023

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	$ 14,617,671	$ 8,008,925
Note payable, current	83,270	-
Operating lease liabilities, current	318,621	207,824
Income taxes payable	2,738,818	1,654,200
Short term loan, net of finance charges	975,025	677,601
Total current liabilities	18,733,405	10,548,550
Deferred compensation	320,000	240,000
Note payable, net of current portion	189,249	-
Operating lease liabilities, net of current portion	1,074,592	78,108
Deferred tax liability, net	228,600	-
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $.001 par value, 1,120,000 shares authorized, 120,000 shares issued and outstanding	3,000	3,000
Common stock, $.001 par value, 28,000,000 shares authorized, 5,673,683 and 5,430,374 shares issued and outstanding	130,162	130,111
Additional paid - in capital	9,230,847	8,338,158
Accumulated other comprehensive loss	(779,268)	(562,700)
Retained earnings	20,036,233	7,461,796
Total stockholders' equity	28,620,974	15,370,365
Total Liabilities and Stockholders' Equity	$ 49,166,820	$ 26,237,023

The accompanying notes are an integral part of these consolidated financial statements.

LEATT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	2021	2020
Revenues	$ 72,475,813	$ 38,604,289
Cost of Revenues	41,029,710	21,215,669
Gross Profit	31,446,103	17,388,620
Product Royalty Income	182,698	88,748
Operating Expenses		
Salaries and wages	5,003,640	3,480,181
Commissions and consulting expenses	812,097	586,509
Professional fees	1,072,912	793,859
Advertising and marketing	2,170,788	2,167,445
Office lease and expenses	428,608	306,855
Research and development costs	1,826,846	1,522,758
Bad debt expense	222,250	71,862
General and administrative expenses	2,450,376	1,879,286
Depreciation	1,025,536	832,216
Total operating expenses	15,013,053	11,640,971
Income from Operations	16,615,748	5,836,397
Other Income (Expenses)		
PPP loan forgiveness income	-	210,732
Interest and other expenses, net	(163)	(4,724)
Total other income (expenses)	(163)	206,008
Income Before Income Taxes	16,615,585	6,042,405
Income Taxes	4,041,148	1,618,533
Net Income Available to Common Shareholders	$ 12,574,437	$ 4,423,872
Net Income per Common Share		
Basic	$ 2.29	$ 0.82
Diluted	$ 2.07	$ 0.74
Weighted Average Number of Common Shares Outstanding		
Basic	5,480,375	5,390,420
Diluted	6,068,276	5,990,798
Comprehensive Income		
Net Income	$ 12,574,437	$ 4,423,872
Other comprehensive income, net of ($1,000) and $20,500 deferred income taxes in 2021 and 2020		
Foreign currency translation	(216,568)	(33,655)
Total Comprehensive Income	$ 12,357,869	$ 4,390,217

The accompanying notes are an integral part of these consolidated financial statements.

LEATT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	Preferred Stock A		Common Stock		Additional Paid - In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance, January 1, 2020	120,000	$ 3,000	5,386,723	$ 130,068	$8,079,774	$ (529,045)	$ 3,037,924	$10,721,721
Compensation cost recognized in connection with stock options	-	-	-	-	65,942	-	-	65,942
Restricted stock awards	-	-	41,350	41	176,110	-	-	176,151
Restricted stock awards for accrued leave	-	-	2,301	2	16,332	-	-	16,334
Net income	-	-	-	-	-	-	4,423,872	4,423,872
Foreign currency translation adjustment	-	-	-	-	-	(33,655)	-	(33,655)
Balance, December 31, 2020	120,000	$ 3,000	5,430,374	$ 130,111	$8,338,158	$ (562,700)	$ 7,461,796	$15,370,365
Compensation cost recognized in connection with stock options	-	-	-	-	55,020	-	-	55,020
Exercise of stock options	-	-	10,000	10	25,990	-	-	26,000
Options exercised on a cashless basis	-	-	192,259	-	-	-	-	-
Restricted stock awards	-	-	41,050	41	811,679	-	-	811,720
Net income	-	-	-	-	-	-	12,574,437	12,574,437
Foreign currency translation adjustment	-	-	-	-	-	(216,568)	-	(216,568)
Balance, December 31, 2021	120,000	$ 3,000	5,673,683	$ 130,162	$9,230,847	$ (779,268)	$20,036,233	$28,620,974

The accompanying notes are an integral part of these consolidated financial statements.

LEATT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOW

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net income	$ 12,574,437	$ 4,423,872
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,025,536	832,216
Deferred income taxes	307,300	(78,700)
Stock-based compensation	866,740	242,093
Bad debts reserve	189,699	(2,819)
Inventory reserve	(408)	7,464
Gain (loss) on sale of property and equipment	5,040	(22,189)
PPP loan forgiveness income	-	(210,732)
(Increase) decrease in:		
Accounts receivable	(5,676,806)	(4,214,998)
Inventory	(11,411,037)	(1,022,324)
Payments in advance	(805,542)	(357,622)
Prepaid expenses and other current assets	(2,069,237)	(980,123)
Income tax refunds receivable	2,964	(2,964)
Deposits	360	(7,057)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,608,746	2,599,578
Income taxes payable	1,084,618	1,061,539
Deferred compensation	80,000	80,000
Net cash provided by operating activities	2,782,410	2,347,234
Cash flows from investing activities		
Capital expenditures	(1,139,298)	(1,477,454)
Proceeds from sale of property and equipment	1,966	25,713
Increase in short-term investments, net	(5)	(18)
Net cash used in investing activities	(1,137,337)	(1,451,759)
Cash flows from financing activities		
Issuance of common stock	26,000	-
Proceeds from note payable	272,519	-
Repayment of note payable to bank, net	-	(300,000)
Proceeds from Paycheck Protection Program Loan	-	210,732
Proceeds from short-term loan, net	297,424	101,127
Net cash provided by financing activities	595,943	11,859
Effect of exchange rates on cash and cash equivalents	(185,622)	(13,156)
Net increase in cash and cash equivalents	2,055,394	894,178
Cash and cash equivalents - beginning of year	2,967,042	2,072,864
Cash and cash equivalents - end of year	$ 5,022,436	$ 2,967,042
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 28,276	$ 32,015
Cash paid for income taxes	$ 2,680,978	$ 617,282
Other noncash investing and financing activities		
Common stock issued for services	$ 866,740	$ 242,093
Common stock issued for accrued leave	$ -	$ 16,334

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Leatt Corporation (the "Company") designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs. The Company's flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings CC ("Holdings"), designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Holdings, a South African incorporated company owned and controlled by the Company's Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment.

The Company's products are manufactured predominately in China and sold to customers worldwide through a global network of distributors and dealers. Leatt also acts as the original equipment manufacturer for neck braces and other personal protective equipment sold by other international brands.

The Company was incorporated in the State of Nevada on March 11, 2005, under the name Treadzone, Inc. On June 17, 2005, the Company changed its name to Leatt Corporation in connection with the Company's acquisition of rights to use the Leatt neck brace patents and trademarks. The Company conducts business in South Africa as a foreign registered branch, and in the United States through the Company's wholly-owned subsidiary, Two Eleven Distribution, LLC ("Two Eleven") a Nevada limited liability company. Research and development efforts, global sales and global operations are managed out of the Company's foreign registered branch located in Cape Town, South Africa. Two Eleven acts as a distributor of Leatt products in the United States. United States sales and marketing are managed by Two Eleven located in Reno, Nevada. The Company also has a wholly-owned subsidiary, Three Eleven Distribution (Pty) Ltd ("Three Eleven") which was an inactive South African incorporated company until December 2008, when it acquired South African registered patents relating to products unrelated to the Leatt-Brace® from Holdings. The patent was subsequently impaired in 2018 and written off entirely in 2019 and Three Eleven became a dormant company. Three Eleven was deregistered on October 11, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Leatt Corporation and its wholly-owned subsidiary: Two Eleven Distribution, LLC. All significant intercompany transactions have been eliminated.

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 the amounts of assets and liabilities and the disclosures 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.

Revenue and Cost Recognition - The Company's products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area or where consumers choose to purchase directly via the Company's e-commerce website (collectively the "customers").

Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect where no exchange of product is possible.

Revenues are recognized when performance obligations are satisfied as evidenced by transfer of control of promised goods to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Product royalty income, representing less than 1% of total revenues, is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Cost Recognition (continued) - The Company's standard distributor payment terms range from pre-payment in full to 60 days after shipment and subsequent sales of product by distributors have no effect on the amount and timing of payments due to the Company, however, in limited instances qualified distributors and dealers may be granted extended payment terms during selected order periods. In performing such evaluations, the Company utilizes historical experience, sales performance, and credit risk requirements. Furthermore, products purchased by distributors may not be returned to the Company in the event that any such distributor relationship is terminated.

Since the Company (through its wholly-owned subsidiary) serves as the distributor of Leatt products in the United States, the Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the dealer or to the ultimate consumer when there is no dealer in the geographic area or the consumer chooses to purchase directly from the Company's e-commerce website and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer. The Company's standard terms and conditions of sale for non-consumer direct or web-based sales do not allow for product returns other than under warranty.

International sales (other than in the United States and South Africa) are generally drop-shipped directly from our consolidation warehouse or the third-party manufacturer to the international distributors. Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point, Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned and exchanged due to product quality issues. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products. Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

In the following table, revenue is disaggregated by the source of revenue:

	Year Ended December 31,			
	2021	% of Revenues	2020	% of Revenues
Consumer and athlete direct revenues	$ 2,022,763	3%	$ 2,281,444	6%
Dealer direct revenues	19,510,966	27%	12,637,969	33%
International distributor revenues	50,942,084	70%	23,684,876	61%
	$72,475,813	100%	$38,604,289	100%

The Company reviews the reserves for customer returns at each reporting period and adjusts them to reflect data available at that time. To estimate reserves for returns, the Company estimates the expected returns and claims based on historical rates as well as events and circumstances that indicate changes to historical rates of product returns and claims. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. The provision for estimated returns at December 31, 2021 and December 31, 2020 was $-0-, and $-0-, respectively.

Sales commissions are expensed when incurred, which is generally at the time of sale, because the amortization period would have been one year or less. These costs are recorded in commissions and consulting expenses within operating expenses in the accompanying consolidated statements of operations and comprehensive income.

Shipping and handling activities associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a fulfilment cost and are included in revenues and cost of revenues in the accompanying consolidated statements of operations and comprehensive income. Revenue recognized from contracts with customers is recorded net of sales taxes, value added taxes, or similar taxes that are collected on behalf of local taxing authorities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases - The Company determines if an arrangement is a lease at contract inception. Operating leases are included in the right-of-use assets ("ROU"), and lease liability obligations are included in the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset of the lease term and lease liability obligations represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's leases typically do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives and lease direct costs. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term. Please refer to Note 5 for additional information.

Short-term investments - The Company's short-term investments consist of a certificate of deposit with a maturity of greater than three months but less than twelve months.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. The Company continuously monitors collections and payments from customers and maintains an allowance for doubtful accounts receivable based upon the expected credit losses determined utilizing historical experience and any specific customer collection issues that have been identified. In determining the amount of the allowance, management is required to make certain estimates and assumptions.

Accounts receivable balances that are still outstanding after management has used reasonable collection efforts are written off as uncollectible. While such credit losses have historically been minimal, within the Company's expectations and the provisions established, management cannot guarantee that the Company will continue to experience the same credit loss rates that the Company has in the past. A significant change in the liquidity or financial position of any of the Company's significant customers could have a material adverse effect on the collectability of the Company's accounts receivable and future operating results. The allowance for doubtful accounts for the years ended December 31, 2021 and 2020 was $291,584 and $101,885, respectively.

Inventory - Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the value of inventory, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, the Company utilizes historical experience as well as current market information. The reserve for obsolescence for the years ended December 31, 2021 and 2020 was $116,183 and $116,591 respectively.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the estimated useful lives of the respective assets.

The estimated useful lives of assets for financial reporting purposes are as follows: moulds and tools, 2 to 5 years; computer equipment and software, 2 to 5 years; office and other equipment, 3 to 6 years; vehicles, 3 to 5 years; leasehold improvements, 3 to 5 years.

The cost of improvements that extend the lives of the assets are capitalized. Repairs and maintenance are expensed as incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Impairment of Long-Lived Assets - The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows to be generated by the assets. Based on these reviews, no asset impairment charges were made to the carrying value of long-lived assets during the years ended December 31, 2021 and 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term Loan - The Company carries product liability insurance policies with a U.S. and South African-based insurance carrier. The Company finances payment of both of its product liability insurance premiums over the period of coverage, which is generally twelve months. The previous U.S. short-term loan was payable in monthly installments of $84,192 over eleven months including interest at 4.950% and has been paid in full. The current short-term loan is payable in monthly installments of $102,078 over eleven months including interest at 4.650%.

The previous South African short-term loan that was payable in monthly installments of $4,367 over a ten-month period at a flat interest rate of 3.10% was repaid October 2021. The current short-term loan effective January 1, 2022 is payable in monthly installments of $5,950 over a ten-month period at a flat interest rate of 3.10%.

The Company carries various short-term insurance policies in the U.S. The Company finances payment of its short-term insurance premiums over the period of coverage, which is generally twelve months. The previous U.S. short-term loan was payable in monthly installments of $11,364 over ten months including interest at 4.950% and has been paid in full. The current short-term loan is payable in monthly installments of $19,860 over eleven months including interest at 4.350%.

Preferred Stock - The Company's preferred stock, when issued, is generally convertible to common stock at or above the then current market price of the Company's common stock and therefore, contains no beneficial conversion feature. The Preferred Stock is convertible on a 1:1 ratio to common stock. Each holder of the Preferred Stock is not entitled to receive dividends and is entitled to 100 votes for each one share of Preferred Stock.

Shipping and Handling Costs - The Company includes shipping and handling fees billed to customers in revenues and shipping and handling costs incurred in cost of revenues.

Advertising - Costs of advertising and marketing are expensed as incurred.

Patent-related Costs - In connection with the Company's license agreement with Holdings, and its company owned patents, the Company incurs legal costs associated with approved patents and patent applications in various jurisdictions which are expensed as incurred and classified as professional fees in the consolidated statements of operations. Patent-related costs totaled $172,813 and $149,675, respectively for the years ended December 31, 2021 and 2020.

Research and Development - Research and development costs are expensed as incurred and include the salaries of those individuals directly involved in research and development activities.

Foreign Currency Translation and Foreign Currency Transactions - The U.S. dollar is the Company's reporting currency. Assets and liabilities of the Company's foreign operation, consisting of its South African Branch, denominated in the local currency, SA RAND, are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the rate of exchange at the date of the transaction in the applicable period. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income in stockholders' equity. Gains and losses generated by transactions denominated in foreign currencies are recorded in the accompanying statement of operations in the period in which they occur. Net unrealized losses on foreign currency translation adjustments totaled $216,568 and $33,655 during the years ended December 31, 2021 and 2020, respectively.

Stock-Based Compensation - The Company accounts for stock-based compensation in accordance with the fair-value-base method set forth in FASB ASC Topic 718-10, Stock-Based Compensation, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors, including employee stock options, based on the estimated fair values on the date of grant or the fair value of the services performed. The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a pro rata basis over the requisite service period of each vesting tranche of each award. The Company considers voluntary termination behavior as well as trends of actual option forfeitures when estimating the forfeiture rate.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2021, and 2020, the Company has no unrecognized tax benefits.

Net Income Per Share of Common Stock - Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common stock shares and dilutive potential common shares outstanding during the period. For the year ended December 31, 2021, the Company had 628,000 potential common shares, consisting of 120,000 preferred shares, and options to purchase 508,000 shares, outstanding that were potentially dilutive if exercised. For the year ended December 31, 2020, the Company had 847,000 potential common shares, consisting of 120,000 preferred shares, options to purchase 727,000 shares, outstanding that were potentially dilutive if exercised.

Comprehensive Income - Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including foreign currency translation adjustments and unrealized gains and losses on marketable securities. Accumulated comprehensive income at December 31, 2021 and 2020 represents cumulative translation adjustments related to the Company's foreign registered branch office and subsidiaries. The Company presents comprehensive income in the consolidated statements of operations and comprehensive income.

Fair Value of Financial Instruments - The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, short-term investments, accounts receivable, inventory, payments in advance, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments.

Concentration of Credit Risk - The Company maintains cash and cash equivalent balances at several financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2021, and 2020, the Company's uninsured bank balances totaled $4,751,602 and $2,710,812, respectively. The Company has not experienced any significant losses on its cash and cash equivalents.

The Company's trade receivables are derived from sales to distributors and dealers. The Company has adopted credit policies and standards intended to accommodate industry growth and inherent risk. Management believes that credit risks are moderated by the diversity of the Company's end customers and geographic sales areas. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary. The Company maintains allowances for potential credit losses as needed.

The Company has derived, and believes that it will continue to derive, a significant portion of its revenue from a limited number of customers. For the years ended December 31, 2021 and 2020, the Company's U.S. revenue was concentrated in one customer that accounted for approximately 10% and 9%, respectively, of annual U.S. revenue. As of December 31, 2021, and 2020, $254,477, or 2% and $199,808, or 3% of the Company's accounts receivable, respectively, were due from this customer. For the years ended December 31, 2021 and 2020, the Company's international revenue was concentrated in one customer that accounted for approximately 10% and 9%, respectively, of annual international revenue. As of December 31, 2021, and 2020, $1,273,532, or 10%, and $421,976, or 6% of the Company's accounts receivable, respectively, were due from this international customer. The Company generates revenue both in the United States and internationally. For the years ended December 31, 2021 and 2020, annual revenues associated with international customers were $52,337,504 and $24,670,072, or 72% and 64% of total revenue, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows - The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less from the date of purchase to be cash equivalents.

Recently Adopted Accounting Pronouncements - In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, Income Taxes (Topic 740): "Simplifying the Accounting for Income Taxes", which is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by clarifying and amending existing guidance to improve consistent application. This standard is effective in fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted the new standard effective January 1, 2021, and it did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted - In November 2021, the FASB issued ASU No. 2021-10 Government Assistance (Topic 832): "Disclosures by Business Entities About Government Assistance," which requires entities to provide disclosures on material government assistance transactions for annual reporting periods. The disclosures include information around the nature of the assistance, the related accounting policies used to account for government assistance, the effect of government assistance on the entity's financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies. This standard is effective for the Company on January 1, 2022 and only impacts annual financial statement footnote disclosures. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3 - INVENTORY

Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, the Company utilizes historical experience as well as current market information. The Company's products are manufactured by third parties predominantly in China and shipped to either a warehouse in Nevada, the corporate offices in South Africa or to distributors throughout South America, Africa, Europe, Asia, Australia and New Zealand. The reserve for obsolescence for the years ended December 31, 2021 and 2020 was $116,183 and $116,591, respectively. During the years ended December 31, 2021 and 2020 the Company wrote off and destroyed $38,993 and $53,258, respectively, of inventory which was deemed to be obsolete.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021, and 2020 consisted of the following:

	2021	2020
Land	$ 310,601	$ 331,304
Moulds and tools	7,185,612	6,649,737
Computer equipment and software	783,398	667,232
Office and other equipment	764,212	526,190
Vehicles	225,505	208,022
Leasehold improvements	156,853	164,307
	$ 9,426,181	$ 8,546,792
Accumulated depreciation	(6,298,095)	(5,494,516)
Property and equipment, net	$ 3,128,086	$ 3,052,276

NOTE 5 - LEASES

On December 14, 2020, Two Eleven entered into a new Lease Agreement to lease warehouse and office space comprising approximately 43,056 square foot in Reno, Nevada. The lease was to commence upon the date of substantial completion of the landlord's work, as defined in the Lease Agreement. The lease commenced on July 13, 2021 and has a period of sixty-six (66) month lease term from such commencement date, subject to renewal, at Two Eleven's option, for an additional five (5) year term. The rent payable from the 3rd month following the commencement date through to the 14th month will be $21,959 and thereafter the rent payable will escalate in subsequent months in accordance with the terms of the Lease Agreement, up to a monthly payment of $25,455 in the 63rd through 66th month. The rent payable will exclude other associated costs, such as real estate taxes, association dues, insurance and other fees. The Company recognized an operating lease right-of-use asset and operating lease liability of $1,403,549 and $1,403,549 as of the lease commencement date. The interest rate for this lease agreement as of July 13, 2021, is 3.75%.

On December 16, 2020, the Company entered into a non-cancelable operating lease for warehousing space in South Africa. The leased commenced on January 1, 2021 and expires in June 2022. The lease agreement requires the Company to pay a monthly rent of $871. The Company recognized an operating lease right-of-use asset and operating lease liability of $15,170 and $15,170 as of the lease commencement date. The interest rate for this lease agreement as of January 1, 2021 is 3.75 %.

As of December 31, 2021, the Company has five non-cancelable operating leases, four for office and warehousing space and one for office machinery, that expire in March 2022, April 2022, June 2022 and January 2027. Rent expense for these operating leases is recognized over the term of the lease on a straight-line basis. The Company by mutual agreement cancelled a non-cancelable lease expiring April 2022, effective January 31, 2022, and the impact has been included in the information presented. (See Note 18)

Below is a summary of the Company's Operating Right-of-Use Assets and Operating Lease liabilities as of December 31, 2021 and 2020:

	2021	2020
Assets		
Operating lease ROU assets	$ 1,393,213	$ 285,932
Liabilities		
Operating lease liabilities, current	$ 318,621	$ 207,824
Operating lease liabilities, net of current portion	1,074,592	78,108
Total operating lease liabilities	$ 1,393,213	$ 285,932

For the years ended December 31, 2021, and December 31, 2020, the Company recognized $282,839 and $220,992, respectively in operating lease expenses, which are included in office lease and expenses in the Company's consolidated statements of operations and comprehensive income.

Generally, the Company's lease agreements do not specify an implicit rate. Therefore, the Company estimates the incremental borrowing rate, which is defined as the interest rate the Company would pay to borrow on a collateralized basis, considering such factors as length of lease term and the risks of the economic environment in which the leased asset operates. As of December 31, 2021, and 2020, the following disclosures for remaining lease term and incremental borrowing rates were applicable:

Supplemental disclosure	December 31, 2021	December 31, 2020
Weighted average remaining lease term	5 years	2 years
Weighted average discount rate	4.08%	4.87%

NOTE 5 - LEASES (Continued)

Maturities of lease liabilities as of December 31, 2021 were as follows:

Year ended December 31,	Amounts under Operating Leases
2022	$ 323,026
2023	273,449
2024	281,664
2025	290,098
2026	298,791
2027	25,455
Total minimum lease payments	$ 1,492,483
Less: amount representing interest	$ (99,270)
Total operating lease liabilities	$ 1,393,213

Supplemental cash flow information for the years ended December 31, 2021, and 2020 are as follows:

	Year Ended December 30, 2021	Year Ended December 30, 2020
Cash paid for amounts included in the measurement of lease liabilities	$ 303,784	$ 220,992
Right-of-use assets obtained in exchange for lease obligations	$ 1,418,719	$ 97,096

NOTE 6 - PAYMENTS IN ADVANCE

Payments in advance consists of upfront deposit payments made to suppliers for the purchase of assets including moulds, tooling and raw materials to be capitalized and used in the production of income in the future. Payments in advance of $1,610,640 and $805,098 as of December 31, 2021 and 2020 are recorded in current assets on the consolidated balance sheets.

NOTE 7 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consists primarily of upfront deposit payments made to contract manufacturers for the manufacturing of the Company's products. Prepaid expenses and other current assets of $4,178,427 and $2,109,190 as of December 31, 2021 and 2020 are recorded in current assets on the consolidated balance sheets.

NOTE 8 - REVOLVING LINE OF CREDIT FACILITY

On November 19, 2018, the Company entered into a $1,000,000 revolving line of credit agreement with a bank. Advances under the line of credit bear interest at the LIBOR Daily Floating Rate plus 2.5 percentage points commencing January 1, 2019. The line of credit matured on November 19, 2020, at which time the unpaid principal, interest, or other charges outstanding under the agreement were due and payable. On November 5, 2020, the Company executed an amendment to the line of credit agreement to extend the credit facility through November 19, 2021. The amendment took retroactive effect to October 27, 2020 and introduced an index floor so that payments for any future advances will bear interest at the greater of the LIBOR Daily Floating Rate or an Index Floor of 1.25 percentage points plus 2.5 percentage points. Obligations under the line of credit are secured by equipment and fixtures in the United States of America, accounts receivable and inventory of Leatt Corporation and Two-Eleven Distribution, LLC. On March 1, 2021, the Company executed an amendment to the line of credit. The amendment took retroactive effect to February 17, 2021 and extended the line of credit facility through February 28, 2022 and increased the revolving line of credit to $1,500,000. Effective January 21, 2022, the Company executed an amendment agreement for the line of credit to extend the line of credit facility through February 28, 2023 (see note 18). As of December 31, 2021, and 2020, respectively there were no advances of the line of credit leaving $1,500,000 and $1,000,000 available for advances.

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act). Pursuant to the Act, Two Eleven applied for and received loan proceeds of $210,732 on May 4, 2020 under the Paycheck Protection Program (PPP). The loan bore interest at 1%. Two Eleven was able to apply for forgiveness of up to 100% of the entire PPP loan balance at the end of the 24-week period from the Company's first receipt of PPP loan funds; so long as Two Eleven used the funds for specific expenses that were outlined in the CARES Act and incurred and paid within the 24-week period. On December 17, 2020, Two Eleven received notification that the PPP loan was forgiven in full. As of December 31, 2020, the Company has recorded PPP loan forgiveness income of $210,732.

NOTE 10 - NOTE PAYABLE

Two Eleven entered into a Note Payable with a bank effective December 17, 2021 in the principal amount of $272,519, secured by equipment. The Note is payable in 36 consecutive monthly instalments of $7,990, including interest at a fixed rate of 3.5370%, commencing February 5, 2022, and continuing to January 5, 2025. As of December 31, 2021, the full amount of $272,519 was outstanding.

Liabilities	
Note payable, current	$ 83,270
Note payable, net of current portion	189,249
	$ 272,519

Principal Maturities of note payable as of December 31, 2021 are as follows:

Year ended December 31,	Amounts under Notes Payable
2022	$ 83,270
2023	90,840
2024	90,840
2025	7,569
	$ 272,519

NOTE 11 - DEFERRED COMPENSATION

Effective January 1, 2018, the Company entered into a Long Service Bonus Agreement with a key employee. Should the employee remain employed pursuant to his performance requirements in his contract for five years, he shall be entitled to a onetime gross bonus payment. For the duration of this Agreement, the Company shall make a provision of $80,000 per year for the five years as deferred compensation expense. As of December 31, 2021, and 2020, the Company has recorded $320,000 and $240,000, respectively as a liability for deferred compensation with respect to this Agreement.

NOTE 12 - STOCKHOLDERS' EQUITY

On December 6, 2011, the Board of Directors adopted, and the shareholders subsequently approved, the 2011 Equity Incentive Plan (the "Plan") which provides for, among other incentives, the granting to employees, directors and consultants incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares as the Plan Administrator may determine. In June 2013, the shareholders approved an increase in the maximum shares from 260,000 to 460,000. In December 2015, the shareholders approved an increase in the maximum number of shares from 460,000 to 920,000. In December 2018, the shareholders approved an increase in the maximum shares from 920,000 to 1,120,000. In December 2020, the shareholders approved an increase in the maximum number of shares approved for issuance under the plan from 1,120,000 to 1,320,000. The maximum number of shares of common stock which may be issued under the Plan is 1,320,000. The maximum number of shares of common stock that may be awarded to an individual participant under the Plan in any one fiscal year is 78,000 shares. Options are generally exercisable at the fair market value or higher on the date of grant over a ten-year period. Shares are generally issued at the fair market value on the date of issuance.

NOTE 12 - STOCKHOLDERS' EQUITY (continued)

In March 2016, options to purchase 323,000 of the Company's common stock were granted to key employees and to the outside director under the Plan at an exercise price of $2.60 per share, exercisable over 5-year period. On the date of grant, 27% of the shares underlying these options immediately vested with a compensation expense of $154,440 and the remaining 73% of the shares were unvested with unrecognized compensation values of $426,960. The fair value of the stock options granted was estimated at the date of grant using the Black Sholes option-pricing model. Based on the list of assumptions presented below, the fair value of the options granted in March 2016 was $1.80 per share. On March 29, 2017, 30% of the shares underlying these options vested with a compensation expense of $173,880. On March 29, 2018, 26% of the shares underlying these options vested with a compensation expense of $148,680. In February 2019, 6,000 outstanding options were cancelled (3,000 shares due to vest in March 2019 and 3,000 shares in March 2020) due to the resignation of an employee with unvested options. On March 29, 2019, 15% of the shares underlying these options vested with a compensation expense of $88,260. In February 2020, 9,000 vested but outstanding share options were cancelled due to the resignation of an employee in accordance with plan rules. On March 29, 2020, the remaining 2% of the shares underlying these options vested with a compensation expense of $10,840.

In November 2016, the options granted in March were amended to increase the exercise period to 10 years from the date of the modification. The fair value of the amended stock options was estimated at the date of the amendment using the Black Sholes option-pricing model. Based on the list of assumptions presented below, the fair value of the amended options was $1.82, a $0.02 increase from the original grant date value. During the year ended December 31, 2020, $80, was recognized and included in share-based compensation.

In February 2019, options to purchase 250,000 of the Company's common stock were granted to key employees and the outside director under the Plan at an exercise price of $2.30 per share, exercisable over a 10-year period. On the date of grant, 30% of the shares underlying these options immediately vested with a compensation expense of $82,530. On February 25, 2020, 20% of the shares underlying these options vested with a compensation expense of $55,020. On February 25, 2021, 20% of the shares underlying these options vested with a compensation expense of $55,020. The remaining 30% of the shares were unvested with unrecognized compensation values of $82,530. The fair value of the stock options granted was estimated at the date of grant using Black Sholes option-pricing model. Based on the list of assumptions presented below, the fair value of the options granted during the year ended December 31, 2019, was $1.10 per share.

The fair value of the stock options granted was estimated at the date of grant using the Black Sholes option-pricing model. The values of the options granted was calculated based on the list of assumptions presented below.

	2016 Options Granted	Modification to 2016 Options Granted	2017 Options Granted	2019 Options Granted
Expected terms in years	5	10	10	10
Years Risk-free interest rate	2.20%	2.69%	2.78%	2.84%
Expected volatility	88.00%	0.57%	21.73%	32.35%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

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

Total stock-based compensation expense related to vested stock options recognized during the years ended December 31, 2021 and 2020 was $55,020 and $65,942. As of December 31, 2021, there was $82,530 of unrecognized compensation costs related to unvested stock options, which is expected to be recognized over the next year.

A summary of information related to stock option activity during the years ended December 31, 2021 and 2020 is as follows:

NOTE 12 - STOCKHOLDERS' EQUITY (continued)

	Outstanding Stock Options	Weighted - Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at January 1, 2020	736,000	$ 1.00 to $2.60	$ 126,680
Stock options cancelled	(9,000)		
Options outstanding at December 31, 2020	727,000	$ 1.00 to $2.60	$ 3,733,600
Stock options exercised	(219,000)		
Options outstanding at December 31, 2021	508,000	$ 1.00 to $2.60	$15,377,200
Options vested and exercisable at December 31, 2021	433,000	$ 1.60 to $2.60	$13,112,200

The intrinsic value is the difference between the current fair value of the stock and the exercise price of the stock option. The weighted-average remaining contractual life of options outstanding, vested and exercisable as of December 31, 2021 is one to ten years.

On December 29, 2020, the Company's Board approved the award of 41,350 restricted shares of the Company's common stock to key employees and the outside director, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Equity Incentive Plan. On the date of grant, 60% of the shares underlying these options immediately vested with a compensation expense of $176,151. On December 29, 2021, 20% of the shares vested with a compensation expense of $58,717. The remaining 20% of the shares were unvested with unrecognized compensation values of $58,717. The fair value of the stock granted, calculated in accordance with the plan, was $7.10 per share.

On December 29, 2020, the Company's Board approved the award of 2,301 restricted shares of the Company's common stock to a key employee in payment of accrued annual leave of $16,334. The fair value of the stock issued, calculated in accordance with the plan, was $7.10 per share.

In May 2021, the Company issued 12,400 shares of common stock to an employee who exercised stock options in a cashless exercise. In August 2021, the company issued 28,895 shares of commons stock to employees who exercised stock options in a cashless exercise.

In November 2021, the Company issued 150,964 shares of common stock to employees who exercised stock options in a cashless exercise.

In December 2021, the Company issued 10,000 shares of common stock to a director who exercised stock options.

On December 22, 2021, the Company's Board approved the award of 41,050 restricted shares of the Company's common stock to key employees and the outside director, pursuant to a Restricted Stock Award Agreement, under the Company's 2011 Equity Incentive Plan. On the date of grant, 1,050 shares vested, thereafter on December 31, 2021 60% of the remaining shares vested with a total compensation expense of $753,003.

The remaining 40% of the shares were unvested with unrecognized compensation values of $480,960. The fair value of the stock granted, calculated in accordance with the plan, was $30.06 per share.

NOTE 13 - INCOME TAXES

The Company's income tax expense for the years ended December 31, 2021 and 2020 consists of the following components:

	2021	2020
Current		
Federal	$ 3,057,420	$ 1,140,900
State	676,428	556,333
	3,733,848	1,697,233
Deferred		
Federal	307,300	(78,700)
Income tax expense	$ 4,041,148	$ 1,618,533

NOTE 13 - INCOME TAXES (continued)

The Company's effective income tax expense differs from the federal statutory amount because of the effect of the following items:

	2021	2020
Federal tax statutory rate	21.00%	21.00%
State tax statutory rate	4.50%	8.85%
Effect of prior year (over) under provision	1.00%	-1.43%
Timing and permanent differences	-0.50%	1.10%
Valuation Allowance	0.00%	1.10%
	26.00%	30.62%

Deferred income taxes (benefit) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and the tax effects of net operating losses that are available to offset future taxable income.

Significant components of the Company's deferred tax assets (liabilities) at December 31, 2021 and 2020 consist of the following:

	2021	2020
Deferred tax assets:		
Accounts receivable	$ 72,900	$ 25,500
Inventory	29,000	29,100
Payroll differences	105,500	95,000
Net operating loss carryforwards	1,023,000	1,023,000
Less valuation allowance	(1,023,000)	(1,023,000)
Deferred tax assets, net	$ 207,400	$ 149,600
Deferred tax liabilities:		
Depreciation	(436,000)	(70,900)
Deferred tax assets (liabilities), net	$ (228,600)	$ 78,700

In assessing the ultimate realization of deferred tax assets and liabilities, management considers whether it is more likely than not that some or all of them will not be realized. The Company established a valuation allowance for the use of its state tax net operating loss carryforwards due to uncertain state tax profitability in the jurisdictions within which the losses were incurred. Changes in the tax system by certain states has prevented the Company from utilizing any portion of its state tax net operating loss carryforwards in 2020, and for tax years 2021 and 2022. While the future level of profitability is uncertain, due in part to the current global health crisis and its impact on our future levels of profitability, the change in the location of the USA warehouse in 2021 will impact the utilization of the state tax net operating loss carryforwards. As such, the valuation allowance was increased by $53,900 in 2020 to provide a full allowance for the deferred tax asset associated with the state net operating loss carry forward. As of both December 31, 2021, and 2020, the Company has approximately $12,900,000 of net operating loss carryforwards to offset certain future state taxable income, expiring in 2029.

The Company files a consolidated federal and separate company state income tax returns in the United States. As of December 31, 2021, the tax years that remain subject to examination are 2018 to 2021 for federal and state tax purposes.

The Company has reviewed its open tax positions and determined that no exposures exist that require an adjustment as of December 31, 2021 or 2020. While the Company believes that it has performed adequate procedures to identify all reasonably identifiable exposures, it is possible that exposures exist and that these exposures will need to be assessed and may potentially have a material impact on the Company's consolidated financial statements.

NOTE 14 - RELATED PARTY TRANSACTIONS

Royalty fees associated with sales of Leatt-Brace® products are paid to Holdings, a company owned by a director, and a related individual who is a shareholder. Royalties are based on 5% of the cash received from net sales of the neck braces worldwide and totaled $409,649 and $245,117 for the years ended December 31, 2021 and 2020. The term of the royalty agreement is for the life of the intellectual property. As of December 31, 2021, and 2020, accrued royalties totaled $72,859 and $34,968.

Consulting fees in connection with product research, development and marketing are paid to Innovation Services Limited, or Innovation, a Jersey limited company in which the Company's founder and chairman is an indirect beneficiary. Monthly consulting fees amounting to $42,233 are payable in terms of the agreement effective, November 8, 2021 and totaled $84,466 and $0 for the years ended December 31, 2021 and 2020, respectively.

NOTE 15 - RETIREMENT PLANS

Effective January 1, 2019, the Company implemented a retirement plan under the provisions of Section 401(k) of the Internal Revenue Code for the benefit of the Company's U.S. based employees. Effective June 1, 2019, the Company implemented a provident fund for the benefit of the Company's permanent South African based employees.

The Company makes a matching contribution equal to 100% of the first 4% of participants' compensation which is deferred as an elective deferral. For the years ending December 31, 2021, and 2020, the Company contributed $29,119 and $30,135 on behalf of the Company's U.S. based employees to the retirement plan.

The Company contributes a minimum of 4.5% on behalf of the Company's S.A. based employees to the provident fund on a salary sacrifice basis. For the years ending December 31, 2021 and 2020, the Company contributed $43,679 and $31,897 on behalf of the Company's South African based employees.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Litigation/Potential Litigation

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

NOTE 17 - RISKS AND UNCERTAINTIES

As the COVID-19 pandemic continues to evolve, the Company believes the extent of the impact to its operations will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic. Due to strong consumer demand for outdoor product categories, the Company did not see any significant material negative impact of COVID-19 on the Company's results of operations for the year ended December 31, 2021. The Company remains cautiously optimistic that ongoing efforts to increase the availability of new COVID-19 vaccines worldwide will mitigate the spread of the virus throughout Europe and the U.S. (our largest markets) and bring about an end to global quarantines. The continued mutation and spread of the virus, economic headwinds caused by global quarantines or the occurrence of any other catastrophic events, could have a negative impact on sales revenue for the coming periods and beyond.

NOTE 18 - SUBSEQUENT EVENTS

On January 7, 2022, Two Eleven signed an amendment to the Lease agreement to cancel the non-cancelable lease for office and warehouse space in Santa Clarita, California effective January 31, 2022.

Effective January 21, 2022, the Company executed an amendment agreement for the line of credit to extend the line of credit facility through February 28, 2023, and to replace interest determined by LIBOR Daily Floating Rate with the Bloomberg Short-Term Bank Yield Index rate. The Company and Two Eleven signed amended documents to secure the loan by equipment and fixtures, accounts receivable and inventory of Two-Eleven.

On February 24, 2022, the Company entered into a new lease agreement for warehousing space in South Africa, commencing on April 1, 2022 and expiring in August 2023. The lease agreement requires the Company to pay a monthly rent of $1,769 for the first eleven months and $1,910 for the following six months. The Company expects to recognize an operating lease right-of-use asset and operating lease liability of $26,372 and $26,372 as of the effective date of the lease. The estimated interest rate for this lease agreement as of January 1, 2022 is 3.750%.

The Company has evaluated all subsequent events through March 10, 2022, the date the financial statements were released.

EXHIBIT INDEX

Exhibit Number	Exhibit Title
2.1	Settlement Agreement, dated as of September 25, 2008, between Leatt Corp., Christopher J. Leatt and J. P. De Villiers
2.2	Amendment No. 1 to Settlement Agreement, dated February 4, 2010, between Leatt Corp., Christopher J. Leatt and Jean- Pierre De Villiers
3.1	Amended and Restated Articles of Incorporation, as filed with the Secretary of State of Nevada on October 28, 2008
3.2	Amended and Restated Bylaws, adopted on October 28, 2008
4.1	Certificate of Designation of Series A Voting Convertible Preferred Stock, as filed with the Secretary of State of Nevada on October 29, 2008
4.2	Leatt Corp. Amended and Restated 2011 Equity Incentive Plan as amended
4.3	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Dr. Christopher Leatt
4.4	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Sean Macdonald
4.5	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Todd Repsher
4.6	Stock Option Agreement, dated March 29, 2016, between Leatt Corp. and Erik Olsson
4.7	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Jeffrey Guzy
4.8	Stock Option Agreement, dated November 22, 2016, between Leatt Corp. and Jeffrey Guzy
4.9	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Dr. Christopher Leatt
4.10	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Sean Macdonald
4.11	Stock Option Agreement, dated August 24, 2017, between Leatt Corp. and Erik Olsson
4.12	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Dr. Christopher Leatt
4.13	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Sean Macdonald
4.14	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Todd Repsher
4.15	Stock Option Agreement, dated February 25, 2019, between Leatt Corp. and Erik Olsson
4.16	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Dr. Christopher Leatt
4.17	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Sean Macdonald
4.18	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Todd Repsher
4.19	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Erik Olsson
4.20	Restricted Stock Award Agreement, dated December 29, 2020, between Leatt Corp. and Jeffrey Guzy
4.21*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Todd Repsher
4.22*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Erik Olsson
4.23*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Jeffrey Guzy
4.24*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Sean Macdonald
4.25*	Restricted Stock Award Agreement, dated December 22, 2021, between Leatt Corp. and Dr. Christopher Leatt
10.1	Consulting Agreement, dated November 8, 2021, between Innovation Services Limited and Leatt Corporation
10.2*	Side Letter Agreement, dated November 8, 2021, between Leatt Corporation and Dr. Christopher Leatt
10.3*	2022-23 Leatt Corporation General Business Terms and Conditions, effective November 1, 2021
10.4*	Lease Agreement, dated February 24, 2022, between Leatt Corp. and Montprop Beleggings (Pty) Ltd
10.5	Lease Agreement, dated December 16, 2020, between Leatt Corp. and AJ Brutus Investments cc.
10.6	Lease Agreement, dated December 16, 2020, between Leatt Corp. and White Pine Investment 78 (Pty) Ltd.
10.7	Lease Agreement, dated December 14, 2020, between Two Eleven Distribution, LLC, and CP Logistics NVCC IV, LLC.
10.8*	Second Amended and Restated Employment Agreement, effective as of January 1, 2009, between Leatt Corp. and Sean Macdonald
10.9	Consulting Agreement, dated July 8, 2015, between Innovate Services Limited and Leatt Corporation (as amended)
10.10	Employment Agreement, dated July 8, 2015, between Innovate Services Limited and Dr. Christopher Leatt
10.11	Side Letter Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt
10.12*	Director Agreement, dated July 8, 2015, between Leatt Corporation and Dr. Christopher Leatt (as amended)
10.13*	Director Agreement, dated June 29, 2017, between Leatt Corporation and Sean Macdonald (as amended)
10.14*	Director Agreement, dated January 1, 2017, between Leatt Corporation and Jeffrey Guzy (as amended)

14.1	Code of Ethics
21*	List of Subsidiaries
31.1*	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Interactive data files pursuant to Rule 405 of Regulation S-T
101.INS**	Inline XBRL Instance Document–the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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* Filed herewith

** Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2021 is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at December 31, 2021 and 2020; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2021 and 2020; (iii) Consolidated Statements of Changes in Shareholders' Equity as of and for the years ended December 31, 2021 and 2020; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020; and (vi) Notes to Consolidated Financial Statements. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.