

MERGENT INDUSTRIAL

NEW LISTING

September 13, 2011



This Supplemental News Reports is published as required, is part of the annual MERGENT INDUSTRIAL, OTC and OTCUNLISTED Manuals and will be included in the bound 2011 September Monthly News Reports and is published on our Website.

LOCATION BASED TECHNOLOGIES INC

Company Website: www.pocketfinder.com

History: Incorporated in California in Sept. 16, 2005 as PocketFinder, Inc. Reincorporated in Nevada on Apr. 10, 2006. Name changed to Location Based Technologies, Corp. on May 29, 2007. Present name adopted on Oct. 11, 2007.

On Aug. 24, 2007, Co. merged with PocketFinder, LLC.

Business Summary: Location Based Technologies designs, develops, and sells personal, pet, and vehicle locator devices and services including the PocketFinderSM, PetFinderSM, PocketFinderSM Luggage, PocketFinderSM Vehicle, PocketFinderSM Laptop and VehicleFleetFinderSM. The PocketFinderSM is a small, completely wireless, location device that enables a user to locate a device, person, or pet, at anytime from almost anywhere using Global Positioning System (GPS) and General Packet Radio Service (GPRS) technologies.

Property: Co. maintains and leases its executive, administrative and operating offices in approximately 4,700 square feet in Irvine, CA.

Subsidiary

Location Based Technologies, Ltd. (United Kingdom)

Officers

David M. Morse, Ph.D., Chairman; Co-President; Chief Executive Officer
Joseph F. Scalisi, Co-President; Chief Development Officer
Desiree Mejia, Chief Operating Officer; Secretary

Directors

David M. Morse, Ph.D., Chairman
Joseph F. Scalisi, Desiree Mejia

Auditors: Comiskey & Company

Shareholder Relations: Terry McGovern, Tel.: 415-902-3001

No. of Stockholders: Aug. 23, 2011, 382

No. of Employees: Aug. 23, 2011, 3

Address: 49 Discovery Drive, Suite 260, Irvine, CA 92618 **Tel.:** 888 600-1044 **Fax:** 714 200-0287 **E-mail:** gregory.harrison@pocketfinder.com **Web:** www.pocketfinder.com

Consolidated Income Account, years ended August 31 (in \$):

	2010	2009 (revised)	2008 (revised)
Devices revs	10,090	12,597	.....
Services revs	10,126	2,542	.....
Consulting revs	46,874	942,723	5,818
Tot net rev	67,090	957,862	5,818
Cost of rev - devices	5,924	7,700	.....
Cost of rev - services	32,792	14,383	.....
Cost of rev - consulting	118,994	340,282	.....
Tot cost of rev	157,710	362,365	.....
Gross profit (loss)	(90,620)	595,497	5,818
Gen & admin exps	907,185	864,879	759,366
Officer compens exps	540,000	1,682,250	360,000
Professional fees	909,756	1,339,788	2,049,316
Rent exps	174,970	138,312	114,771
Research & devel exps	1,647,797	1,535,403	2,124,767

Tot oper exps	4,179,708	5,560,632	5,408,220
Net oper income (loss)	(4,270,328)	(4,965,135)	(5,402,402)
Financing costs	1,892,852	1,744,835	.....
Amort of beneficial conversion feature	370,444	25,004	.....
Amort of deferr financing costs	950,000	2,850,000	.....
Int income (exp), net	(323,662)	(149,378)	75,572
Fgn currency gain (loss), net	59	(6,989)	(339)
Int forgiven, net	.....	.....	58,206
Gain (loss) on asset disp	107,047	.....	(373)
Debt issuance costs - commiss	.....	.....	491,775
Debt issuance costs - wrts	.....	.....	1,971,791
Loss on asset impair	1,361,959	.....	.....
Tot other income (expense)	(4,791,811)	(4,776,206)	(2,330,500)
Net income (loss) bef inc tax	(9,062,139)	(9,741,341)	(7,732,902)
Prov for inc tax	800	800	1,600
Net income (loss)	(9,062,939)	(9,742,141)	(7,734,502)
Common shares: Weigh avg shares outstg-basic	99,712,365	90,236,562	80,061,402
Yr end shares outstg	107,322,272	96,823,547	87,091,914
Net income (loss) per sh-basic	dr\$(0.09)	dr\$(0.11)	dr\$(0.10)
No of full time employees	3	3	3
No of contractors	470	470	80
No of com stkhldrs	124	98	145

Reclassified to conform with 2010 presentation.

Reclassified to conform with 2009 presentation.

As of November 29, 2010. As of November 10, 2009.

Approximately. As of November 20, 2008.

Consolidated Balance Sheet, as of August 31 (in \$):

	2010	2009 (revised)
Assets:		
Cash & cash equivs	267	200,099
Accts receivable, net of allow for doubtful accts	.....	75,203
Costs & est earn in excess of billings on uncompleted contracts	.....	292,723
Ppd exps	.....	122,078
Defer financing costs	10,002	70,257
Tot curr assets	10,269	760,360
Website devel costs	1,361,959	1,209,204
Mach & equip	71,934	78,388
Computer software	41,626	37,116
Computer & video equip	36,962	27,418
Office furn	13,166	13,166
Lshld improve	.....	2,445

Prop & equipment, gross	1,525,647	1,367,737
Less: accum deprec	1,492,234	67,096
Prop & equipment, net	33,413	1,300,641
Patents & trademarks, net of accum amort	1,303,675	1,238,653
Dep & other assets	16,159	.....
Tot other assets	1,319,834	1,238,653
Tot assets	1,363,516	3,299,654
Liabilities:		
Accts pay & accrued exps	2,305,492	932,616
Accrued officer compens	1,013,403	510,903
Adv fr officer	947,297	.....
Accrued interest, adv fr officers	46,535	.....
Notes pay	225,000	140,000
Accrued interest, note pay	40,487	22,041
Conv notes payable, net of unamort	1,265,833	1,210,389
Accrued interest, conv notes pay	130,706	19,405
Tot curr liabil	5,974,753	2,835,354
Tot liabil	5,974,753	2,835,354
Com stk	44,923	34,424
Com stk to be issued	100	.....
Addit paid-in cap	24,382,165	21,224,422
Ppd services paid in com stk	(209,500)	(1,028,560)
Retain earnings (accum deficit)	(28,828,925)	(19,765,986)
Tot stkhldrs equity (deficit)	(4,611,237)	464,300

Reclassified to conform with 2010 presentation.

Auditor's Report: The following is an excerpt from the Report of the Independent Auditors, Comiskey & Company, as it appeared in Co.'s 2010 10-K report:

"In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Location Based Technologies, Inc. as of August 31, 2010 and 2009, and the results of its operations, changes in stockholders' equity and cash flows for the year ended August 31, 2010 and 2009, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring losses since inception and has an accumulated deficit in excess of \$28,800,000 and a working capital deficit in excess of \$5,900,000. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern."

Subsequent Financing: On Aug. 27, 2010, Co. entered into a promissory note agreement for \$100,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by Aug. 27,

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2011. The note bears interest at 10% per annum. At the option of the note holder, the note may be converted, in whole or in part, into shares of Co.'s common stock on the basis of \$0.20 per share. The loan was funded on Sept. 10, 2010.

On Nov. 2, 2010, Co. entered into a promissory note agreement for \$100,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by Nov. 1, 2011. The note bears interest at 10% per annum. At the option of the note holder, the note may be converted, in whole or in part, into shares of Co.'s common stock on the basis of \$0.20 per share.

On Nov. 5, 2010, Co. entered into a promissory note agreement for \$25,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by Feb. 5, 2011. The note bears no interest. In addition, Co. agreed to issue 150,000 shares of common stock valued at \$39,000 on the award date.

On Nov. 8, 2010, Co. entered into a promissory note agreement for \$30,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by Nov. 9, 2011. The note bears interest at 10% per annum. At the option of the note holder, the note may be converted, in whole or in part, into shares of Co.'s common stock on the basis of \$0.20 per share.

On Nov. 11, 2010, Co. entered into a promissory note agreement for \$300,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by Nov. 11, 2011. The note bears interest at 10% per annum, compounded monthly. At the option of Co., the note may be converted, in whole or in part,

into shares of Co.'s common stock on the basis of \$0.25 per share.

On Nov. 16, 2010, Co. entered into a promissory note agreement for \$400,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by the earlier of Dec. 15, 2011 or upon Co. receiving \$2,000,000 from the sale of securities or a debt issuance. The note bears interest at 10% per annum, compounded monthly. At the option of Co., the note may be converted, in whole or in part, into shares of Co.'s common stock on the basis of \$0.25 per share.

Capital Stock: 1. Location Based Technologies Inc common; par \$ 0.001.

AUTHORIZED — 300,000,000 shs.
 OUTSTANDING — Aug. 31, 2010, 107,322,272 shs; par \$ 0.001.

WARRANTS — 5,395,858 shs.

STOCK SPLITS — No par shares split 3-for-1 Oct. 28, 2008.

OWNERSHIP — As of Nov. 29, 2010, all directors and executive officers as a group owned 48.4% of Co.'s outstanding common stock.

DIVIDENDS — After 3-for-1 split:

8-11 Nil

OPTIONS — Aug. 31, 2010, authorized for issuance, 6,000,000.

PRIMARY EXCHANGE — Over-the-Counter (OTC): LBAS

PRICE RANGE —

	2010	2009	2008	2007
High	0.60	1.85	10.61	4.97
Low	0.06	0.42	0.66	1.30

PRIVATE PLACEMENTS — (20,000 shares) at \$1.00 per share privately placed in Nov. 2005 for \$20,000.

(25,000 shares) at \$1.00 per share privately placed in Mar. 2006 for \$25,000.

(100,000 shares) at \$1.00 per share privately placed in Aug. 2006 for \$97,000.

(80,645 common shares and 20,161 warrants) privately placed in May 2009 for gross proceeds of \$108,750.

(91,743 common shares and 22,936 warrants) privately placed in May 2009 for gross proceeds of \$87,000.

(63,602 common shares and 15,901 warrants) privately placed in June 2009 for gross proceeds of \$65,250.

(387,397 common shares and 115,385 warrants) privately placed in Aug. 2009 for gross proceeds of \$270,000.

(129,870 common shares and 32,468 warrants) privately placed in Sept. 2009 for gross proceeds of \$100,000.

(110,685 common shares and 27,671 warrants) privately placed in Sept. 2009 for gross proceeds of \$67,500.

(90,909 common shares and 20,000 warrants) privately placed in Nov. 2009 for gross proceeds of \$54,000.