

Investor Relations:

Dave Morse, CEO, (866) 726-7543

info@pocketfinder.com

Location Based Technologies, Inc. CEO Letter to Shareholders

IRVINE, Calif. May 17, 2016 Location Based Technologies® Inc. ([OTCBB:LBAS](#)) CEO, Dave Morse, has released a letter to shareholders.

Dear Fellow Shareholders,

We are in our 3rd Quarter of FY 2016 and continue to make progress with several of our key strategies. Even though our stock continues to trade at unprecedented lows we know that it is likely that it will continue to trade at these levels until the company achieves two essential milestones identified in November's letter: 1st, positive operational cash flow; and 2nd, growing operations to build up capital to pay down our existing debt burden. We are acutely aware of the challenges this presents to our shareholders and our laser focus to reach operational profitability has not changed. We remain grateful for those who have retained our stock along with our officers and directors. Every effort we make day-to-day is focused and prioritized on implementation and management of initiatives to successfully turn a profit for the company.

AT&T recently opened its CEO report with an alarming statistic: 90% of organizations lack full confidence in their IoT security. This despite 32% of 500 surveyed organizations revealing that they manage more than 5,000 connected devices, and 35% saying they have between a thousand and 4,999.

LBT has focused on security for our IoT devices from the very beginning - including how our devices connect to cellular networks, how our data is transmitted and accepted by our servers and how our vehicle devices are isolated from the vehicle's on-board-computer (versus plug-in OBD solutions). These proactive approaches are foundational for our tracking solution and maximize every customer's safety, security and privacy. These fundamental principles direct how LBT protects our customers and is paramount within our commitment to safeguard our customers from our IoT devices being accessed by outsiders.

Let me share with you the progress we've made toward building momentum to sustain an operation that will reach profitability.

Since launching our product with Apple in late calendar year 2012 (FY 2013) we have made year-over-year progress as measured in the following:

Gross Profits/Loss: FY 2013 (\$1,679,440)	FY 2014 +\$141,190	FY 2015 +\$794,898	Q1 and
Q2 of FY 2016: \$297,048			

Total Operating Expenses were reduced by 38% from \$1,573,620 to \$969,173 in our first two Quarters over the same period in FY 2015.

Operations Overview:

LBT continues to evolve the sales of 3G vehicle trackers in the US and Canadian markets. We expected a new private-label US partner, with ties into the commercial fleets and auto dealer channels, to

contribute to our growth during the latter part of 2015. That relationship has been slower than expected in their market entry and have just recently begun sales. We remain optimistic regarding their 2016 growth and sales contribution. Similarly, our long-term relationship with a partner in Australia, FindA, has also begun operations in the past 30 days and has begun sales.

The Auto Dealer Program (ADP) was launched in early 2016 to auto dealers offering the many benefits of the evolution of vehicle tracking and security capability. The private label brand, "GPS Tracker Service" offered to dealers gives them the ability to activate new customers at the dealership under their brand. We are currently working on onboarding dealerships in the US and Canada along with one early candidate in Santa Fe, Mexico.

LBT reevaluated its market relationships in Mexico in April and we are onboarding two new distributors in country. One distributor has a strong relationship with the retail market while the other has a dominate advantage in the wholesale market. We have already forged relationship with three online retailers and are in two retail chain stores (Best Buy, JBL Audio and Linio). Best Buy will be featuring or highlighting both the PocketFinder personal and the vehicle tracking devices through the month of May.

With the pending release of 3 new 3G personal trackers into the Consumer US and Canadian markets, LBT plans to concentrate its efforts into areas with the greatest growth potential. LBT is expecting to see growth in the personal tracker market for children, seniors and pets with customers eager for a 3G solution. Berg Insight recently predicted an annual growth rate of 45% over the next 5 years for the pet tracking market. Currently some 300,000 pets are being tracked and Berg predicts 3MM by 2021.

On the International front, LBT has been approached by two companies looking to expand GPS tracking capabilities into the Asian and European markets through use of our platform. We are in early rounds of discussions with both potential partners.

Sales with the US military/government continue to be impacted through sequestration and we see no reasonable expectations for sales in these markets in the foreseeable future. We believe it to be in the best interest of our shareholders to continue our focus on revenue opportunities with a more immediate impact that will help us to reach our short-term objective of increasing our cash flow and gross profits.

Technology Transition: LBT has successfully transitioned its vehicle GPS tracking devices onto the newer 3G network and this will remain our focus as AT&T continues to carry out their plans for the sunset of 2G services by year end. LBT has several initiatives underway focused on building up the vehicle GPS tracking business which covers both consumer and commercial business segments.

We are making progress in transitioning our personal GPS trackers to the 3G technology platform, and are testing the first of three devices coming out of development. We expect to begin sales of at least one 3G personal tracker by mid to late summer. We continue to pursue partnerships with third-party solutions that will help to shorten our launch time lines and provide opportunities for a broader product line to attract new consumer segments. Further, with the pet market growth projected to increase tenfold over the next 5 years (by Berg Insight) we are particularly anxious to get the right hardware in place that links to our best in class End-User-Interface.

We have not lost sight of our need to re-start filing once we are fiscally sound and profitable. We strongly believe that this continues to be our most prudent strategy as it has minimized our need for ongoing capital as we continue to grow our business and become closer to being cash flow positive.

Each month we draw closer to covering our operational costs. This will remain our primary focus. All efforts and attention will continue to concentrate on accelerating the incremental successes that will build momentum in reaching profitability. We continue with our engagement to explore and pursue multiple efforts to monetize our Intellectual Property in order to augment our total sales revenues in ways most advantageous to the company, its lenders and shareholders.

We appreciate your ongoing support and I look forward to providing another update soon.

Sincerely,

David M. Morse, PhD
CEO

Forward Looking Statements

This letter contains certain forward-looking statements of our intentions, hopes, beliefs, expectations, strategies, and predictions with respect to future activities or other future events or conditions within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are usually identified by the use of words such as “believe,” “will,” “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “should,” “could,” or similar expressions. These statements are only predictions and involve known and unknown risks, uncertainties and other factors. Actual results may materially different from the results, levels of activity, performance or achievements, express or implied by these forward-looking statements.

Although we believe that the assumptions underlying the forward-looking statements contained in this report are reasonable, any of the assumptions could be inaccurate, and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. We will not update these statements unless the securities laws require us to do so. Accordingly, you should not rely on forward-looking statements because they are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those contemplated by the forward-looking statements.