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Location Based Technologies, Inc. CEO Letter to Shareholders

IRVINE, Calif. December 14, 2017 Location Based Technologies® Inc. ([OTCBB:LBAS](#)) CEO, Dave Morse, has released a letter to shareholders.

Dear Fellow Shareholders,

We have completed the 1st Quarter of FY 2018 and have a solid outlook for the coming year with projections of more than doubling total income through continued revenue growth and combined international and domestic licensing income. There is much ado about the world of IoT and the coming 5G network that promises tremendous opportunities for innovation. Network connectivity is a vital part of the world of real-time tracking and location information. As the IoT revolutionizes everything from smart homes to connected transportation systems, hackers are finding more opportunities to cause mayhem. Gemalto's recently published [Breach Level Index](#) revealed that almost 1.4 billion data records were compromised in 2016, up 86% from 2015. Location Based Technologies views security as both a commitment and a responsibility – and has from the initial steps of establishing our company. We consciously built safeguards and protections, including encryption, into each level of our system from interfaces to devices. Security, and privacy of every customer's information, is and will remain a constant focus for LBT.

Our stock continues to trade at negligible levels. As we approached AT&T's announced shutdown of their 2G network in January of 2017, we had a five-month gap before our new 3G personal locator, the PocketFinder+, was ready for market entry. While much of the rest of the world retained their 2G networks, and overlaid the 3G or LTE network, that is not true for the USA and much of Canada – our main customer base! All existing USA based customers on the 2G network were shutdown in January and we have been successfully rebuilding our Consumer customer base since then. We began selling our 3G vehicle devices in June of 2016 so we were well prepared for the network transition with our Consumer and Commercial vehicle customers and therefor lost very few vehicle devices in the January shutdown. Market pressures that caused our stock value to drop remain and although the company achieved a state of positive operational cash flow for 3 of the last 5 months in late 2016 we lost ground during the 3G network transition. The company must re-achieve and then sustain milestones of: 1) ongoing positive operational cash flow; and 2) generating sufficient operational revenues/capital to pay down our existing debt.

So what progress has been made? Gross Profits/(Loss): FY 2013 (\$1,679,440) FY 2014 +\$141,190
FY 2015 +\$794,898 FY 2016: \$857,728 FY 2017: \$666,896

We continued to reduce our Total Operating Expenses from \$1,787,037 in FY2016, to \$1,221,921 in FY 2017 through intense expense controls and technology improvements. A 32% reduction in expenses.

Total Revenues decreased by \$345,921, a 21% reduction, from \$1,620,971 in FY 2016 to \$1,275,050 in FY 2017 due to the pending AT&T 2G network shut down and our inability to sell new product. We stopped sales of our popular 2G PocketFinder personal locator in mid-year and did not start sales of the PocketFinder+ until five months into this Fiscal Year. During that interim we focused solely on 3G vehicle/fleet sales although previously Personal tracker sales represented the largest share of our device sales revenues and monthly service revenues. This year we will see significant additional revenues generated through licensing including use of our proprietary backend/User Interface with companies selling our new products in other countries. In addition, we will begin to see licensing and related revenues through ongoing efforts with our Intellectual Property. We anticipate that combined revenues from both sources will at least double our current total revenue. Be assured that our combined daily efforts are focused on initiatives that best serve our customers and successfully generate a profit for the company.

Gross margins remain at 52%, year over year, primarily through cost elimination and controls in our infrastructure support areas.

Operations Overview:

We began our partnership with Yepzon Enterprises, the designer and manufacturer of the PocketFinder+ locator, early in this Fiscal Year and our companies are finding great value and benefit by working together to bring high quality, reliable IoT products and services to the marketplace. We are looking into new, innovative solutions to deliver customized solutions to additional market segments.

Yepzon is an innovative Finnish based IoT/M2M company that designs top quality, feature-rich, personal wearable tracking devices that operates on the GSM world-wide network. The device uses multiple location technologies: GPS, A-GPS, Cellular ID and Wi-Fi while connecting via the cellular network in order to send our customers near real-time location data of where their devices are at any given time almost anywhere in the world. Along with the Department of Defense's GPS satellite system and the GLONASS satellite system, PocketFinder+ devices use Google's Wi-Fi Touch identification for in-door location accuracy. Weighing only 1.7ozs, you need never be out of touch with this device!

Along with LBT's feature rich, easy to use End User Interface, our combined solution delivers:

- Near real-time tracker location, direction and history on smartphone Apps.
- Alerts include enter/exit of a zone, speed limit, SOS button press, low battery and power cut
- Simple set up for unlimited zones at home, school, in the neighborhood, city or wherever.
- You can remotely trigger "Track Mode" with as quick as 10 second locates for the PocketFinder+.
- Multiple users can log into one secure account, or through sub accounts, with multiple devices displayed.

We are indebted to our first 500 PocketFinder+ customers who helped us optimize the device's performance based on their real-life experiences. Daily feedback allowed us to identify performance issues quickly and then fine tune location intervals, sleep time controls, etc. This is always a tedious but

absolutely essential process for any new electronic product. Performance is now stable and reliable and we are poised for expansion.

The Seniors market has been central to our early success with the PocketFinder+ device. Lifestyles are more active than ever before and often include outdoor physical activities and travel – International and domestic. We offer an inexpensive way for families to stay connected and have instant oversight no matter where their travels or day-to-day activities may take them. For example, an estimated 5.4 million Americans have Alzheimer’s disease and the national number is expected to triple by 2050. Our customers dealing with Alzheimer’s disease, Dementia, and general safety concerns for family seniors who are prone to “wander/elope” have expressed that their needs are met with the added features incorporated into the PocketFinder+. These customer segments, and the child market, are essential elements in our current growth and marketing initiatives.

We continue to nurture and expand our vehicle tracking markets - both commercial and consumer. Our long-term relationship with a potential partner in Australia with high volume presence in the vehicle warranty market is still pending.

LBT reevaluated its market relationships in Mexico this year and we are establishing a direct relationship with one of our best in-country distributors. Online sales continue along with in-store sales occurring in Best Buy and other smaller retail stores.

With new funds coming in, LBT plans to concentrate its efforts on areas with the greatest growth potential. We expect to see growth in the personal tracker market for seniors and children with our new 3G solution. We believe these markets are ready to adopt our newer technology that enhances safety, security and expands their freedom of movement now that the size is smaller and both indoor and outdoor tracking is more reliable. Our team’s primary focus will be on North America – including Canada, Mexico and the USA - for our sales efforts.

On the International front, LBT will partner with selected high quality companies looking to bring GPS tracking capabilities into the Asian, European and other markets with the benefit of using our easy-to-use yet feature rich platform. We are in discussion with, or have signed, with a few stand-alone partners in areas showing high interest and need for our total tracking solution in Singapore and Malaysia.

Most important, we have a highly competent and resourceful team! Together we have survived through difficult financial times, multiple market challenges and we are grateful for every member’s personal contribution to the company. It is a privilege to work with such hard working, highly skilled and dedicated people each day. We see great value in our people, our shareholders and in our customers and seek success by meeting the needs of each essential group!

Our initial products were leading-edge solutions early in the IoT/M2M space and we are seeing tremendous positive change both in the technology itself and in the acceptance of the use of tracking technology by companies (to enhance safety, delight customers, and save money) and within families.

We are all becoming more aware of the need to always be connected and aware of where we are as we navigate the mobile society we are a part of. LBT delivers high value solutions for these driving needs.

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.

The gap between our operational costs and gross revenues is shrinking in spite of the loss of customers impacted by the 2G network termination. Our new 3G devices are filling that void and push us forward. Achieving profitability 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 also continue to explore multiple efforts to monetize our Intellectual Property in order to augment our sales revenues in ways most advantageous to the company, its lenders and shareholders.

Calvin Coolidge, when talking about success, said: "***Nothing in this world can take the place of persistence. Talent will not: nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not: the world is full of educated derelicts. Persistence and determination alone are omnipotent.***" We are persistent and determined.

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 differ 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.