SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **2013-01-17** | Period of Report: **2012-08-31**
SEC Accession No. 0001437749-13-000535

(HTML Version on secdatabase.com)

FILER

Location Based Technologies, Inc.

CIK:**1383196**| IRS No.: **204854758** | State of Incorp.:**NV** | Fiscal Year End: **0831**
Type: **10-K/A** | Act: **34** | File No.: **333-139395** | Film No.: **13535661**
SIC: **3812** Search, detection, navagation, guidance, aeronautical sys

Mailing Address
49 DISCOVERY, SUITE 260
IRVINE CA 92618

Business Address
49 DISCOVERY, SUITE 260
IRVINE CA 92618
888-600-1044

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

FORM 10-K
Amendment No. 1

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended August 31, 2012

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____to ___

Commission File Number 333-139395

LOCATION BASED TECHNOLOGIES, INC.
(Name of registrant as specified in its charter)

Nevada	**20-4854758**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

49 Discovery, Ste. 260, Irvine, California 92618
(Address of principal executive offices)

888-600-1044
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
None	None

Securities registered under Section 12(g) of the Act:
None

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

Indicate by check mark if 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 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 file, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☒

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

The aggregate market value of the voting common stock held by non-affiliates computed by reference to the price at which the common stock was last sold on the OTC Bulletin Board as of the last business day of the registrant's most recently completed second fiscal quarter (February 28, 2012) was $37,595,273. This value is estimated solely for purposes of this cover page.

As of November 16, 2012, there were 200,599,622 shares of registrant's common stock outstanding.

TABLE OF CONTENTS

		PAGE
	PART I	
Item 1.	Business	1
Item 1A.	Risk Factors	6
Item 1B.	Unresolved Staff Comments	16
Item 2.	Properties	16
Item 3.	Legal Proceedings	16
Item 4.	(Removed and Reserved)	16
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	17
Item 6.	Selected Financial Data	18
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	23
Item 8.	Financial Statements and Supplementary Data	24
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	72
Item 9A.	Controls and Procedures	72
Item 9B.	Other Information	73
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	74
Item 11.	Executive Compensation	77
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	80
Item 13.	Certain Relationships and Related Transactions, and Director Independence	81
Item 14.	Principal Accounting Fees and Services	82
	PART IV	
Item 15.	Exhibits, Financial Statement Schedules	83
SIGNATURES		84

EXPLANATORY NOTE – AMENDMENT

This Amendment No. 1 on Form 10-K/A is being filed to restate the Company's financial statements to the Annual Report on Form 10-K for the period ended August 31, 2012 of Location Based Technologies, Inc. (the "Company") filed with the Securities and Exchange Commission on November 29, 2012 (the "Original Form 10-K"). Amendment No. 1 is being filed to restate revenue and cost of revenue for PocketFinder devices sold to our main distributor due to an accounting error and change in accounting policy. Revenues are recognized in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition*. We have reevaluated the factors that we used to determine revenue recognition for devices sold to our distributor and concluded that it is appropriate to restate revenue and cost of revenue for year ended August 31, 2012. Other related accounts affected include allowance for sales returns, deferred revenue, inventory purchase commitment, device revenue and cost of revenue. We are also amending Footnote 1 "Nature of Operations and Summary of Significant Accounting Policies" and Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" to reflect changes to the financial statements as a result of the restatement.

No other changes have been made to the Original Form 10-K, and this Form 10-K/A does not reflect any subsequent events occurring after the filing date of the Original Form 10-K or modify or update any other disclosures made in the Original Form 10-K. In addition, currently dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of Sarbanes-Oxley Act of 2002, are attached to this First Amendments as Exhibits 31.1, 31.2, 32.1 and 32.2.

PART I

FORWARD LOOKING STATEMENTS

This report 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, including the risks outlined under Part I, Item 1A. "Risk Factors" and other sections of this report, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future 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. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report and any amendments to this report. 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.

ITEM 1. BUSINESS

Overview. We were incorporated under the laws of the State of Nevada in April 2006 as Springbank Resources, Inc. ("SRI"). SRI was formed to engage in the exploration and development of oil and gas, and by 2007 had disposed of all of its assets and satisfied its liabilities. In October 2007, SRI acquired all of the outstanding stock of Location Based Technologies, Corp. ("Old LBT"), following which SRI merged Old LBT into itself and, in the process, SRI's name was changed to Location Based Technologies, Inc. Old LBT was incorporated in September 2005 by David Morse, Joseph Scalisi and Desiree Mejia, who became our officers and directors, in order to develop the PocketFinder personal locators.

Our principal executive offices are located at 49 Discovery, Suite 260, Irvine, California 92618, and our telephone number is 888-600-1044.

Our shares of common stock are currently traded in the over-the-counter market and our stock price is reported on the OTC Bulletin Board under the symbol "LBAS."

Unless otherwise stated, all references to "we," "us," "our," the "company" and similar designations refer to Location Based Technologies, Inc.

Location Based Technologies®, PocketFinder® and PocketFinder Pets® are registered trademarks, and PocketFinder Network™, PocketFinder People™, PocketFinder Vehicle™, PocketFinder Luggage™, PocketFinder Mobile™, PF-886™, "Powered by LBT" and VehicleFleetFinder™ are trademarks, of the company. With respect to this report, we reserve all rights to the foregoing trademarks regardless of whether they carry the "®" or "™" designation.

Our Business. We market and sell affordable, leading-edge, proprietary, and easy-to-use consumer and commercial location devices and services. Our devices utilize Assisted Global Positioning System ("A-GPS") and General Packet Radio Service ("GPRS") technologies in conjunction with our patented, proprietary technologies designed to enhance and enrich the way businesses and families interact and stay connected around the world.

Our flagship product, the PocketFinder, is a small, waterproof, rugged and completely wireless location device that enables users to easily locate anyone or anything they care about, from a computer or web-enabled device. Our products deliver critical information to users, such as: device location, longitude, latitude, heading speed and 60 days of location history. This information can be viewed passively through a user's account or can be actively sent to a user via SMS text, email or push notification if the user sets an alert. The target markets for the PocketFinder include: young children, seniors, people with special needs and people who need to track valuable assets such as luggage or sporting equipment. In addition to the PocketFinder, we also sell the PocketFinder Pet and the PocketFinder Vehicle products. The PocketFinder Pet is designed for pets weighing 15 pounds or more, and we market the PocketFinder Vehicle to families with new drivers, car enthusiasts, motorcycle owners, watercraft owners and business fleets. The PocketFinder Vehicle attaches directly to a battery or fuse box, so it has a constant supply of power. All PocketFinder products operate on the same user interface, which enables our customers receive the same features, functionality and user-experience, regardless of which product they own. To access their account or locate their devices, users can logon to our website at www.pocketfinder.com or use our native iPhone, iPad or Android Apps.

We generate revenue by selling our products and charging customers an ongoing service fee, for which we offer monthly and annual subscription plans. All of our products that are sold in the US operate on the AT&T cellular network. The GPS data which is collected by the device is transmitted to our customers (via our servers) on AT&T's network. Since AT&T's network operates in over 95% of the wireless world, our products can work around the globe. Customers who use their devices internationally will incur a higher monthly charge.

In addition to the PocketFinder family of products, we also sell devices and services that are designed for business and governmental use. These devices include the PF-886 and the LBT Solutions Vehicle. The PF-886 functions similarly to the PocketFinder, but is much larger in size primarily due to its larger battery. The PF-886 is designed to last for up to 6 months on a single charge and is ideal for asset and cargo tracking. The LBT Solutions Vehicle comes with 2, 3 and 4 wire options, which provides additional features such as engine on/off monitoring and engine kill capability. All of our commercial customers also have access to enhanced reporting features. Commercial customers access their account and view their devices by visiting www.locationbasedtech.com or by downloading our native iPhone, iPad or Android Apps.

We have completed our first year of sales for our PocketFinder products in the Apple Stores in the U.S. and Canada. We also continued sales through Apple Online for both the PocketFinder and the PocketFinder Vehicle. We recently expanded the sales channel for our consumer products to include Amazon and Crutchfield. PocketFinder Pet and Vehicle locators are also available to purchase from our website at www.pocketfinder.com. Combined sales and activations are showing steady increases of approximately 15% month over month. Advertising and general market awareness over the past year include our PocketFinder products highlighted by Dr. Gadget on the radio and on ABC's The View and Extra, NBC's Today Show, and a month long focus on teen driving safety in partnership with NBCUniversal in Texas. In addition, Jennifer Jolly presented our products in Chicago, Atlanta, and Los Angeles on CNN, CBS, WGN, WLS, Daily Motion, and ABC's Money Matters. Similarly, Steve Greenberg presented our products on NYC WPIX, NBC in Philadelphia, Washington DC, Miami, Seattle, Minnesota, and Denver, Chicago's WGN, ABC in Dallas and on CBS in Houston. We are significantly expanding our presence on the web through social media as well as in digital and print media.

Our Apple device sales are restricted to the United States and Canada yet our devices continue to draw international attention. We continue to work with Apple Online to open up the market in Mexico and we are making progress. We believe we should begin selling PocketFinder devices in Mexico through Apple Online in the near future. We currently have devices working in over 70 countries (37% of all countries in the world) and multiple requests for distribution opportunities from 64 countries around the world. Associated with this kind of interest, we are working with a select few of these distributors and addressing the need for local wireless carrier involvement in order to be able to provide a reasonably priced monthly service fee, solid customer and technical support, and market reach. In November 2012, we entered into an agreement with our first European distributor, Everything Everywhere (a partnership between France Telecom and Deutsche's T-Mobile), which is the largest M2M telecommunications company in the United Kingdom. We are continuing to explore and work in the Australasian territory. Our preferred partners are the wireless carriers themselves because of their ready network and customer/billing infrastructure. Negotiations with four Tier 1 wireless carriers have progressed and devices are being tested on their networks. Early discussions/exploration with several other Tier 2 and 3 carriers also continue. A couple of the Tier 1 carriers cover multiple countries and their involvement, albeit slow, will net broad international market coverage.

Commercial growth has been a meaningful revenue contributor. The company officially launched its Business Solutions Platform (www.locationbasedtech.com) in August of this year, and as of October 31st approximately 150 business customers are benefitting from our Business Solutions location services. Our largest business customer is AT&T and they will use our devices to track their own equipment domestically. The majority of our customers are small and mid-sized customers seeking high value pricing and simplified interfaces that minimize training time and requirements. We are adding approximately 1.5 new business customers per day. Orders for combined hardware sales of approximately $1.2M were received for calendar 4th quarter delivery.

Government/Military applications are also progressing and we expect their comprehensive testing to be completed as early as December 2012. Our relationship with The World Famous West Coast Customs ("WCC") is moving forward as well. We have entered into a co-branding relationship with WCC, and they will be selling a co-branded WCC PocketFinder and PocketFinder Vehicle through their distribution channels, which include Best Buy and www.bestbuy.com. Filming for next year's WCC's TV series is well underway (showing in 28.5M households weekly) and our products will be shown on several episodes.

We continue to work diligently on selling devices into Mexico. Our products have received all of the necessary governmental certifications and we recently signed a distribution agreement with Sales and Support Representatives ("SaS Reps" or www.sasreps.com). SaS Reps is a Distributor/Reseller/Agent of communications products and services to Central, North and South American service providers, manufacturers and resellers. There continues to be pent up demand for various tracking applications in the world of logistics and we plan to address it through our relationship with SaS Reps.

Our products continue to be supported by feature rich Apps that allow users to maximize the functionality and benefits of PocketFinder devices from almost anywhere at any time. The iPhone, native iPad, and Android Apps are free downloads available through the iTunes Store or on Google Play and the Android Market respectively. They deliver the ability to set up and manage devices while users are on the go throughout the day or night from virtually anywhere in the world that the user's phone has network connectivity. BlackBerry and Windows Mobile Professional 6.0 Operating Systems are able to access the existing www.pocketfinder.com website to manage and set up accounts due to the Mobile Device optimization that has been done over the past few months.

In February 2012, ABIresearch released a report ("Personal Location Devices and Applications Market") stating that GPS personal tracking devices and applications were forecasted to grow with a CAGR of 40% with both markets breaking $1Billion in revenue in 2017.

Senior analyst Patrick Connolly stated, "The hardware market remained below 100,000 units in 2011. However, it is forecasted to reach 2.5 million units in 2017, with significant growth in elderly, health, and lone worker markets. Dedicated devices can offer significant benefits, with insurance and liability increasingly encouraging the use of approved equipment." LBT's PocketFinder device was specifically cited in Mr. Connolly's research findings.

In May 2012, Kumu Puri, Senior Executive, Accenture's Electronics & High-Tech Group shared that over the past few years Accenture has studied usage of technology by consumers to identify major trends that might assist their corporate clients. Their most recent survey of 19 different technologies across users in 10 countries revealed four major trends that they believe will be crucial over the next several years. They are:

- Consumers are reaching a state of "hypermobility," rapidly adopting mobile technologies and downloading applications that keep them connected anywhere, anytime.
- Consumers are increasingly reaching into the network and modifying their behaviors as they rely on cloud services.
- Consumers' use of electronics is increasingly more dependent on the exploding number of applications now within their reach.
- Emerging markets lead in usage and spending growth of many consumer technologies.

Puri went on to say that, "Consumers are adopting mobile technology so rapidly that the mobility trend is in hyper-drive. While consumers still have strong ownership and usage of desktop or laptop computers (90% surveyed own them), purchase intentions for computers are slowly declining. Simultaneously, smartphone and tablet PC ownership is rising steeply. More than half of consumers we surveyed own a smartphone – up 25 points in the past 12 months. This marks a growth rate of 89% over the previous year. One-third of respondents bought a smartphone in 2011, an increase of 15 percentage points compared with 2010. On a similar trajectory, ownership of tablets grew by 50% last year, from 8% of consumers owning them to 12%, according to our study. These survey findings paint a picture of consumers striving to get and stay connected wherever they are via mobile technologies, abundant app choices and a growing set of service alternatives from the cloud. The era of hypermobility has numerous implications for consumer electronics companies as they work to capture the greatest share of wallet among their target customers."

We are aggressively moving LBT's family of products and web-based features and functionality onto more functional mobile platforms to better meet the needs of this highly mobile society. We are seeing similar demands and requirements in families and in businesses. By taking advantage of the latest in GPS, GSM, and Internet technology, small and medium sized businesses are able to more effectively and efficiently manage their mobile assets and key human resources as well as to carefully monitor the shipping and delivery of high value assets. Although we are only actively selling devices in the US and Canada, we find that many people have purchased our devices while visiting the US and then returned home to activate. Global usage now comprises countries in much of Europe, Russia, Romania, Ukraine, Mexico, China, Hong Kong, Australia, and many countries in South America.

We receive customer feedback from vertical applications including outdoor enthusiasts, adult children of the elderly, elder care providers of patients with Alzheimer's and dementia, special needs providers for those with disabilities, pet owners, and for the tracking and recovery of valuable property and luggage while traveling. Our PocketFinder device is only fifty millimeters in diameter (about 2 inches). It fits easily into a child's pocket, into a backpack, or onto a belt. The PocketFinder People and PocketFinder Pets devices come with a form-fitting silicone pouch or a rugged ballistic nylon casing that can easily slide onto a belt or a pet's collar.

We continue to tightly control our overhead and ensure that we have the right resources in place at the right time. We have a very talented senior management team that brings the right knowledge, skills and abilities to deliver world-class products and services. Distribution opportunities are being negotiated as we carefully analyze each market opportunity against the cost of entry, potential growth, economic value, and support capability metrics. We are developing a business model for international market opportunities and are in discussions with wireless carriers and/or distributors in multiple countries at this time. Key personnel have been brought in as independent contractors to supplement our existing team with customer, sales and business development skills. Our customer service center personnel have received consistently high feedback from customers who desired assistance and we offer support in English and Spanish.

Our Personal Locator Services. Our products are currently being sold through various brick-and-mortar and online retailers and through our website. We provide customer service and support in the United States through existing, award winning call centers owned by Affinitas. In the consumer market we are seeing multiple vertical market segments including the following:

- Parents of young children (primarily 5 to 12 years of age) who seek the peace of mind of being able to know that their children are where they are supposed to be when they are supposed to be there;
- Small, mid-sized, and enterprise class business owners;
- First time family drivers or for added security in heavy snow states;
- Elder care and special needs support and applications such as Autism, Down Syndrome, Dementia, and Alzheimer's;
- Pet care and location capability; and
- Asset tracking and location capability: cars, trucks, snowmobiles, fleet management, luggage, boats, RVs, and other high-valued assets.

Our Intellectual Property Investment. We continue to invest in intellectual property that consists of apparatus patents and applications and system and method patents and applications. We have filed claims that cover many aspects of the PocketFinder, its operating system and user interface. We expanded and filed additional claims this fiscal year that cover new aspects of the PocketFinder People device, its operating system and user interface. Our intellectual property portfolio includes 29 issued US patents, 16 pending US patents, 8 pending foreign patents, 6 PCT filings, 17 registered trademarks and 4 Madrid protocol trademark cases.

We own the Internet domain name www.pocketfinder.com and www.locationbasedtech.com as well as the names of numerous other related domains that could have use in future business and vertical marketing initiatives and for Internet marketing purposes. Under current domain name registration practices, no one else can obtain an identical domain name, but someone might obtain a similar name, or the identical name with a different suffix, such as ".org," or with a country designation. The regulation of domain names in the United States and in foreign countries is subject to change, and we could be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our domain names.

Our Target Markets and Marketing Strategy. We provide wireless location based solutions for global positioning products along with its proprietary "friendly user interface" software system. We deliver rugged, compact products with near real time location-based information over its proprietary server architecture. Our products optimize the way businesses and families stay connected with one another: for pet owners to know where their pets are on demand and also provide solutions for asset tracking – such as shipping of high value assets or LoadRack Tracker's trucking solution for controlled temperature environments. We have the ability to add our customer's existing location devices onto our superior location platform in order to simplify the customers need to manage all location-based devices through one easy tool.

PocketFinder and PocketFinder Vehicle devices are being sold in the United States and in Canada through the Apple Online Store and Apple Retail Stores. PocketFinder devices for Pets are available for purchase on our website. We are also working on several "white label" marketing opportunities. In addition, licensing opportunities are being explored on the international front.

Our marketing initiatives will include:

- Licensing opportunities for the products in international areas or regions;
- Self-branded or "white label" opportunities for niche market or vertical market sales;
- Affinity group marketing and outreach opportunities;
- Utilization of direct response sales due to public relations outreach in special interest magazines and newsletters; and
- Retail distribution initiatives.

Our Revenue Sources. We expect our revenues to be derived from the following sources:

- Potential licensing fees;
- Organizations that will self-brand the PocketFinder for specialized niche markets ("white label");
- Asset and Personal Locator device sales to commercial customers and through retailers;
- Personal Locator device sales through affinity groups and through our website;
- Personal Locator device accessory sales; and
- Monthly recurring service fees.

Our Growth Strategy. Our objective is to become a premier provider of personal and asset location services in the Location Based Services market. Our strategy is to provide high quality devices that meet the market's requirements whether it is for business applications, for equipment and any other mobile asset, or for children, pets, or personal asset tracking (luggage, vehicles, boats, etc.). Key elements of our strategy include market education of this new GPS mobile application and:

- A mass market retail price of under $150.00 for Personal Location devices (customized asset and trucking solutions with additional features and capabilities will be sold at a higher cost);
- A basic monthly service fee in the U.S. for family applications of $12.95 and for most business applications under $20/month with multiple convenient access points (Smartphone and/or via the Internet);
- Ease of use at the location interface point as well as with the device; and
- Rugged design that meets the rigors of life and work.

Our Competition. Personal location and property tracking devices are beginning to significantly penetrate the marketplace. We believe this condition represents a tremendous opportunity as customers will be attracted in large numbers once the intrinsic value of such devices is recognized and mass market adoption begins.

Our competitors include, but are not limited to: Geospatial Platform Providers, Application Developers, Garmin's GTU-10, Qualcomm's Tagg, Lo-Jack, SpotLight, and commercial providers such as Fleetmatics, NetworkFleet, and Qualcomm. Some competitors may be better financed, or have greater marketing and scientific resources than we do.

In related markets, GPS devices have become widely used for automotive and marine applications where line-of-sight to GPS satellites is not a significant issue. Manufacturers such as Garmin, Navman, Magellan, TomTom, Pharos, NovAtel and DeLorne are finding a market interested in using these products for both business and leisure purposes. As a result, use of GPS technology in devices such as chart plotters, fitness and training devices, fish finders, laptop computers, and personal digital assistant ("PDA") location devices are gaining significant market acceptance and commercialization. Prices range from $100 to several thousand dollars. We expect that increasing consumer demand in these markets will drive additional applications and lower price points.

Government Regulation. We are subject to federal, state and local laws and regulations applied to businesses generally as well as Federal Communications Commission, Internationale Canada ("IC") and CE (European Economic Area) wireless device regulations and controls. We believe that we are in conformity with all applicable laws in all relevant jurisdictions. We are NOM and NYCE certified and ready to begin sales in Mexico. We do not believe that we are subject to any environmental laws and regulations of the United States and the states in which we operate.

Our Research and Development. We will continue to invest in ongoing research and development to enhance the size and performance of our existing products as well as to customize products to better fit specific vertical market needs and requirements. We will continue to work with our U.S. based manufacturer and several other entities that are conducting research on key aspects of the device itself (including expanded antennae capability, battery capacity, Iridium Satellite connectivity, and enhanced location reliability and accuracy) in an ongoing effort to provide the best quality product at the very best size and value in the market. We anticipate ongoing involvement with some level of developmental activity throughout the foreseeable future.

Employees and Outsourced Assistance. We have limited our use of contracted professionals who have been engaged in hardware and software development, early marketing and sales preparation, and preparation for customer service support. Mr. Scalisi, our Co-President and Chief Development Officer, Mr. Morse, our Co-President and Chief Executive Officer, and Mrs. Mejia, our Chief Operating Officer, and Mr. Gregory Gaines, our Chief Marketing and Sales Officer, currently devote 100% of their business time to our operations. Our CFO, Mr. Eric Fronk, is currently serving part-time. In addition to our new Board members, we have added several key contributors with customer service, general counsel/business development, and sales leadership experience. Remaining true to our "outsourced" model for growth and expansion, any large personnel increase will be accomplished through sales and customer support outsourced organizations contracted to provide respective services. The company will remain focused on our core competency of providing location devices and services.

Our Website. Our corporate websites, www.locationbasedtech.com and www.pocketfinder.com, provide a description of our corporate business along with our contact information including address, telephone number and e-mail address or product information and sales, respectively. Our PocketFinder website also provides prospective customers with relevant information about our products, pricing and payment options, pre-ordering capability, frequently asked questions. See www.locationbasedtech.com to access Business Solutions and our corporate investor relations information. Information contained on our websites is not a part of this report.

ITEM 1A. RISK FACTORS

Investing in our common stock is highly speculative and involves a high degree of risk. Any potential investor should carefully consider the risks and uncertainties described below before purchasing any shares of our common stock. The risks described below are those we currently believe may materially affect us. If any of them occur, our business, financial condition, operating results or cash flows could be materially and adversely affected. As a result, the trading price for our stock could decline, and you might lose all or part of your investment.

Risks Related to Our Business

We have had operating losses since formation and expect to incur net losses for the near term.

We reported a net loss of $7,963,485 for the fiscal year ended August 31, 2012, and a net loss of $8,222,705 for the fiscal year ended August 31, 2011. We anticipate that we will lose money in the near term and we may not be able to achieve profitable operations. We cannot be certain that our business will be successful or that we will generate significant revenues and become profitable.

We may not be successful in developing our new products and services.

We are a technology and telecommunications company whose purpose is to develop, market and provide new wireless communications products and systems which combine the features of GPS with pocket pagers with cellular telephones. The market for telecommunications products and services is characterized by rapid technological change, changing customer needs, frequent new product introductions and evolving industry standards. These market characteristics are exacerbated by the emerging nature of this market and the fact that many companies are expected to introduce continually new and innovative products and services. Our success will depend partially on our ability to introduce new products, services and technologies continually and on a timely basis and to continue to improve the performance, features and reliability of our products and services in response to both evolving demands of prospective customers and competitive products.

There can be no assurance that any of our new or proposed products or services will maintain the market acceptance already established. Our failure to design, develop, test, market and introduce new and enhanced products, technologies and services successfully so as to achieve market acceptance could have a material adverse effect upon our business, operating results and financial condition.

There can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction or marketing of new or enhanced products and services, or that our new products and services will adequately satisfy the requirements of prospective customers and achieve significant acceptance by those customers. Because of certain market characteristics, including technological change, changing customer needs, frequent new product and service introductions and evolving industry standards, the continued introduction of new products and services is critical. Delays in the introduction of new products and services may result in customer dissatisfaction and may delay or cause a loss of revenue. There can be no assurance that we will be successful in developing new products or services or improving existing products and services that respond to technological changes or evolving industry standards.

In addition, new or enhanced products and services introduced by us may contain undetected errors that require significant design modifications. This could result in a loss of customer confidence which could adversely affect the use of our products, which in turn could have a material adverse effect upon our business, results of operations or financial condition. If we are unable to develop and introduce new or improved products or services in a timely manner in response to changing market conditions or customer requirements, our business, operating results and financial condition will be materially and adversely affected.

We have no experience or history of earnings.

We are dependent on our ability to market and sell our products and services for future earnings. Thus far, we have been unable to sell enough devices and services to generate positive earnings. We continue to be reliant on debt and equity financing to run our business. The continued development of our products and services, as well as the operation of our business, involves significant risks, which a combination of experience, knowledge and careful evaluation may not be able to overcome. There can be no assurance that unanticipated problems will not occur which would result in material delays in our sales, marketing and product development or that our efforts in these areas will result in successful commercialization.

An investment in our common stock is highly speculative and no assurance can be given that the stockholders will realize any return on their investment or that they will not lose their entire investment.

Our future financial results are uncertain and we can expect fluctuations in revenue.

We rely heavily on retail organizations, affinity groups and telecommunications carriers to sell our products. If any of these relationships change or are disrupted, we could lose a significant portion of our revenues and/or anticipated revenues.

Our results of operations may vary from period to period because of a variety of factors, including our R&D costs, sales and marketing costs, the cost of engineering and certifying new products, the cost of improving our current services and building new services, cost increases resulting from third-party service providers, cost increases from product manufacturers or component suppliers, production interruptions, the availability of industry service providers, changes in marketing and sales expenditures, acceptance of our websites, competitive pricing pressures, the consumer interest in or products and general economic and industry conditions that affect customer demand and preferences.

As with any relatively new business enterprise operating in a specialized and intensely competitive market, we are subject to many business risks which include, but are not limited to, unforeseen marketing, promotional and development expenses, unforeseen negative publicity, competition, product liability and lack of operating experience. Many of the risks may be unforeseeable or beyond our control. There can be no assurance that we will successfully implement our business plan in a timely or effective manner, or generate sufficient interest in the PocketFinder products or services, or that we will be able to market and sell enough products and services to generate sufficient revenues to continue as a going concern.

There are risks of international sales and operations.

We are generating revenue from the sale of our products and services to customers located outside the United States. As such, a portion of our sales and operations could be subject to tariffs and other import-export barriers, currency exchange risks and exchange controls, foreign product standards, potentially adverse tax consequences and the possibility of difficulty in accounts receivable collection. We may also incur difficulty in collecting payment from some international clients. There can be no assurance that any of these factors will not have a material effect on our business, financial condition and results of operations.

Although we will monitor our exposure to currency fluctuations, there can be no assurance that exchange rate fluctuations will not have an adverse effect on our results of operations or financial condition. In the future, we could be required to sell our products and services in other currencies, which would make the management of currency fluctuations more difficult and expose our business to greater risks in this regard.

Our products may be subject to numerous foreign government standards and regulations that are continually being amended. Although we will endeavor to satisfy foreign technical and regulatory standards, there can be no assurance that we will be able to comply with foreign government standards and regulations, or changes thereto, or that it will be cost effective for us to redesign our products to comply with such standards or regulations. Our inability to design or redesign products to comply with foreign standards could have a material adverse effect on our business, financial condition and results of operations.

In addition to the uncertainty as to our ability to generate revenues from foreign operations, there are certain risks inherent in doing business internationally, such as unexpected changes in regulatory requirements, export restrictions, trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, fluctuations in currency exchange rates, software piracy or difficulty in enforcing intellectual property rights, seasonal reductions in business activity in certain other parts of the world and potentially adverse tax consequences, which could adversely impact the success of our international operations. There can be no assurance that one or more of such factors will not have a material adverse effect on our potential future international operations and, consequently, on our business, operating results and financial condition.

Because of the global nature of the telecommunications business, it is possible that, although transmissions by us originate primarily in the State of California, the governments of other states and foreign countries might attempt to regulate our transmissions or prosecute us for violations of their laws. There can be no assurance that violations of local laws will not be alleged or changed by state or foreign governments, that we might not unintentionally violate such laws, or that such laws will not be modified, or new laws enacted, in the future. Any of the foregoing developments could have a material adverse effect on our business, results of operations and financial condition.

We may have substantial future cash requirements but no assured financing source to meet such requirements.

In the audit report on our financial statements for our fiscal years ended August 31, 2012 and 2011 our auditors stated that our recurring losses and working capital deficit raise substantial doubt about our ability to continue as a going concern. We will continue to require a substantial amount of funds for working capital for general and administrative purposes, as well as research and development. Our future capital requirements will depend on many factors, including continued progress in our research and development programs, the magnitude of these programs, the time and costs involved in obtaining any required regulatory approvals, the costs involved in preparing, filing, prosecuting, maintaining and enforcing patents, successful completion of technological, manufacturing and market requirements, changes in existing research relationships, establishing collaborative arrangements, defending potential lawsuits, sales and marketing initiatives, ongoing legal work required to remain compliant with our state and federal filing requirements, and the cost of finalizing licensing agreements to produce licensing revenues.

We believe additional financing will be available when needed to finance all of our working capital needs, but we cannot be assured the terms will be favorable to us or our stockholders – particularly in light of current economic conditions and the availability of credit and other sources of capital. We may raise any necessary funds through public or private equity offerings, debt financings or additional corporate collaboration and licensing arrangements. To the extent we raise additional capital by issuing equity securities, our stockholders will experience dilution. If we raise funds through debt financings, we may become subject to restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us.

If adequate funds are not available, we may be required to delay, scale-back or eliminate our research and development programs or obtain funds through collaborative partners or others that may require us to relinquish rights to certain of our potential products that we would not otherwise relinquish. There can be no assurance that additional financing will be available on acceptable terms or at all, if and when required.

We depend on key management for the success of our business.

Our success is largely dependent on the skills, experience and efforts of our senior management team and other key personnel. In particular, our success depends on the continued efforts of our Chief Executive Officer, David Morse, our Chief Operating Officer, Desiree Mejia and our Chief Technology Officer, Joseph Scalisi, as well as other key employees. The loss of the services of any of these key employees could materially harm our business, financial condition, future results and cash flow. We do not maintain "key person" life insurance policies on any of our officers or employees. Although to date we have been successful in retaining the services of senior management and have entered into employment agreements with them, members of our senior management may terminate their employment agreements without cause and with various notice periods. We may also not be able to locate or employ on acceptable terms qualified replacements for our senior management or key employees if their services were no longer available.

Loss of the services of a few key employees could harm our operations.

We depend on key employees and sales personnel. The loss of certain personnel could diminish our ability to develop products and services and maintain relationships with customers and potential customers. The loss of certain technical personnel could harm our ability to meet development and implementation schedules. The loss of key sales personnel could have a negative effect on sales to certain current customers. Although most of our significant employees are bound by confidentiality and non-competition agreements, the enforceability of such agreements cannot be assured. Our future success also depends on our continuing ability to identify, hire, train and retain other highly qualified technical and managerial personnel. If we fail to attract or retain highly qualified technical and managerial personnel in the future, our business could be disrupted.

Our awards of stock options to employees may not have their intended effect.

A portion of our total compensation program for our executive officers and key personnel has historically included the award of options to buy our common stock or the common stock of our subsidiaries. If the price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract critical personnel. In addition, any changes made to our stock option policies, or to any other of our compensation practices, which are made necessary by governmental regulations or competitive pressures could affect our ability to retain and motivate existing personnel and recruit new personnel.

Compliance with changing regulation of corporate governance, public disclosure and financial accounting standards may result in additional expenses and affect our reported results of operations.

Keeping informed of, and in compliance with, changing laws, regulations and standards relating to corporate governance, public disclosure and accounting standards, including the Sarbanes-Oxley Act, Dodd-Frank Act, as well as new and proposed SEC regulations and accounting standards, has required an increased amount of management attention and external resources. Compliance with such requirements may result in increased general and administrative expenses and an increased allocation of management time and attention to compliance activities.

We may in the future become involved in litigation that may materially adversely affect us.

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operations or financial condition.

Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling products and services if these claims are successful. We also may incur significant expenses in affirmatively protecting our intellectual property rights.

In recent years, there has been significant litigation involving patents and other intellectual property rights in many technology-related industries and we believe that the industries that certain of our subsidiaries operate have a significant amount of patent activity. Third parties may claim that the technology or intellectual property that we incorporate into or use to develop, manufacture or provide our current and future products, systems or services infringe, induce or contribute to the infringement of their intellectual property rights, and we may be found to infringe, induce or contribute to the infringement of those intellectual property rights and may be required to obtain a license to use those rights. We may also be required to engage in costly efforts to design our products, systems and services around the intellectual property rights of others. The intellectual property rights of others may cover some of our technology, products, systems and services. In addition, the scope and validity of any particular third party patent may be subject to significant uncertainty.

Litigation regarding patents or other intellectual property rights is costly and time consuming, and could divert the attention of our management and key personnel from our business operations. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Claims of intellectual property infringement might also require us to enter into costly royalty or license agreements or to indemnify our customers. However, we may not be able to obtain royalty or license agreements on terms acceptable to us or at all. Any inability on our part to obtain needed licenses could delay or prevent the development, manufacture and sale of our products, systems or services. We may also be subject to significant damages or injunctions against development, manufacture and sale of our products, systems or services. We also may be required to incur significant time and expense in pursuing claims against companies we believe are infringing or have misappropriated our intellectual property rights.

We are a relatively small company with limited resources compared to some of its current and potential competitors, which may hinder its ability to compete effectively.

Some of our current and potential competitors have longer operating histories, significantly greater resources and broader name recognition than it does. As a result, these competitors may have greater credibility with our existing and potential customers. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their products which would allow them to respond more quickly to new or emerging technologies or changes in customer requirements.

We are dependent on third-party providers and consultants for development, marketing and other services.

We are dependent upon various consultants for one or more significant services required for our products, which services will be provided to our business pursuant to agreements with such providers. Inasmuch as the capacity for certain services by certain consultants may be limited, our inability, for economic or other reasons, to continue to receive services from existing providers in a timely manner or to obtain similar products or services from additional providers in a timely manner could have a material adverse effect on our business.

We do not have manufacturing capability. To meet our product cost goals, we will rely on Cal Comp USA to order components for our products and manufacture our products. Any problems experienced in the ordering of components or manufacturing our products could negatively affect our operations.

We have entered a contractual agreement with CalComp USA, a leading manufacturer of mobile electronic devices, for manufacturing support. Any significant problem in this company or its suppliers could result in a delay or interruption in the supply of materials to us until that supplier cures the problem or until we locate an alternative source of supply. Any delay or interruption would likely lead to a delay or interruption in production and could negatively affect our operations. Changes in purchasing patterns may affect revenue timing, production schedules, inventory costs, inventory practices and new product development and introduction.

If product liability lawsuits are successfully brought against us, we may incur substantial damages and demand for the potential products may be eliminated or reduced.

Faulty operation of our devices could result in product liability claims. Regardless of their merit or eventual outcome, product liability claims may result in:

- decreased demand for our devices or withdrawal from the market;
- injury to our reputation and significant media attention;
- costs of litigation; and
- substantial monetary awards to plaintiffs.

We have arranged to procure product liability insurance in the amount of $5,000,000. Although this meets retailer requirements for product liability coverage, this coverage may not be sufficient to fully protect us against product liability claims. We intend to expand our product liability insurance coverage as sales of our products expand. Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against product liability claims could prevent or limit the commercialization of our products and expose us to liability in excess of our coverage.

If we fail to adequately protect our intellectual property rights, our competitors may be able to take advantage of our research and development efforts to develop competing devices.

Our intellectual property rights cover certain products and methods of manufacturing and using these products. Our commercial success will depend in part on our success in obtaining patent protection for our key products or processes. Our patent position, like that of other technology companies, is highly uncertain. One uncertainty is that the United States Patent and Trademark Office ("USPTO") may deny or require significant narrowing of claims made under our patent applications.

The USPTO, as well as patent offices in other jurisdictions, has often required that patent claims reciting technology-related inventions be limited or narrowed substantially to cover only the specific innovations exemplified in the patent application, thereby limiting their scope of protection. Further, technology that is disclosed in patent applications is ordinarily published before it is patented. As a result, if we are not able to get patent protection, we will not be able to protect that technology through trade secret protection. Thus, if we fail to obtain patents having sufficient claim scope or fail to adequately protect our trade secrets, we may not be able to exclude competitors from using our key products or processes.

Even if the USPTO grants patents with commercially valuable claim scope, our ability to exclude competitors will subsequently depend on our successful assertion of these patents against third party infringers and our successful defense of these patents against possible validity challenges. Our competitors, many of which have substantial resources and have made significant investments in competing technologies, may make, use or sell our proprietary products or processes despite our intellectual property. Litigation may be necessary to enforce our issued patents or protect our trade secrets. The prosecution of intellectual property lawsuits is costly and time-consuming, and the outcome of such lawsuits is uncertain. An adverse determination in litigation could result in narrowing of our scope of protection or the loss of our intellectual property, thereby allowing competitors to design around or make use of our intellectual property and sell our products in some or all markets. Thus, if any of our patents are invalidated or narrowed in litigation, we may not be able to exclude our competitors from using our key technologies.

Another risk regarding our ability to exclude competitors is that our issued patents or pending applications could be lost or narrowed if competitors with overlapping technologies provoke an interference proceeding (determination of first to invent) at the USPTO. The defense and prosecution of interference proceedings are costly and time-consuming to pursue, and their outcome is uncertain. Similarly, a third party may challenge the validity of one or more of our issued patents by presenting evidence of prior publications to the USPTO and requesting reexamination of such patents. Thus, even if we are able to obtain patents that cover commercially significant innovations, one or more of our patents may be lost or substantially narrowed by the USPTO through an interference or reexamination proceeding. Consequently, we may not be able to exclude our competitors from using our technologies.

Third party patents, or extensions of third party patents beyond their normal expiration dates, could prevent us from making, using or selling our preferred products and processes, or require us to take licenses or to defend against claims of patent infringement.

We may have a limited opportunity to operate freely. Our commercial success will depend in part on our freedom to make, use and sell our products. If third party patents have claims that cover any of these products, then we will not be free to operate as described in our business plan, without invalidating or obtaining licenses to such patents. We may not be successful in identifying and invalidating prior claims of invention. Similarly, a license may be unavailable or prohibitively expensive. In either case, we may have to redesign our products. Such redesign efforts may take significant time and money and may fail to yield commercially feasible options. If we are unable to develop products or processes that lie outside the scope of the third party's patent claims, and we continue to operate, then we may be faced with claims of patent infringement, wherein the third party may seek to enjoin us from continuing to operate within our claim scope and seek monetary compensation for commercial damages resulting from our infringing activity.

The technology industry has been characterized by extensive patent litigation and companies have employed intellectual property litigation to gain a competitive advantage.

The defense of patent infringement suits is costly and time-consuming and their outcome is uncertain. An adverse determination in litigation could subject us to significant liabilities, require us to obtain licenses from third parties, or restrict or prevent us from selling our products in certain markets. Although patent and intellectual property disputes are often settled through licensing or similar arrangements, costs associated with such arrangements may be substantial and could include ongoing royalties. Furthermore, the necessary licenses may not be available to us on satisfactory terms, if at all. Thus, as discussed above, if third party patents cover any aspect of our products, then we may lack freedom to operate in accordance with our business plan. Among such patents are various patents owned by third parties that cover the manufacture, sale and use of various forms of wireless technology. If necessary, we believe we can avoid possible infringement of these patents by designing around them, obtaining licenses or delaying entry into certain markets, until expiration of the relevant patents. Nevertheless, there remains some risk arising from these patents.

We may not be able to obtain the licenses and consents from governmental agencies or other holders of intellectual property that are necessary for our business plan to be accomplished.

The utilization or other exploitation of the products and services developed by us may require us to obtain licenses or consents from government regulatory agencies or from other producers or other holders of patents, copyrights or other similar rights relating to our products and services. In the event we are unable, if so required, to obtain any necessary license or consent on terms and conditions which we consider to be reasonable, we may be required to stop developing, utilizing, or exploiting products and services affected by government regulation or by patents, copyrights or similar rights. In the event we are challenged by a government regulatory agency, or by the holders of patents, copyrights or other similar rights, there can be no assurance that we will have the financial or other resources to defend any resulting legal action, which could be significant.

We may rely on certain proprietary technologies, trade secrets and know-how that are not patentable. Although we may take steps to protect our unpatented trade secrets, technology and proprietary information, in part, by the use of confidentiality agreements with our employees, consultants and certain of our contractors, there can be no assurance that (i) these agreements will not be breached, (ii) we would have adequate remedies for any breach; or (iii) our proprietary trade secrets and know-how will not otherwise become known or be independently developed or discovered by competitors. There is also no assurance that our actions will be sufficient to prevent imitation or duplication of either of our products and services by others or prevent others from claiming violations of their trade secrets and proprietary rights.

Rapid technological advances, changes in customer requirements and frequent new product introductions and enhancements which characterize the telecommunications industry would adversely affect our financial condition if we are not able to respond with upgrades or changes that are acceptable to the market.

Our future success will depend upon our ability to enhance the technologies and to develop and introduce new products and technologies that keep pace with technological developments, respond to evolving customer requirements and achieve market acceptance. We may determine that, in order to remain competitive, it is in our best interests to introduce new products and technologies and to cease exploitation of the technologies. It is doubtful that we would be able to maintain operations should changes render the technologies obsolete or should we determine that the technologies are unexploitable.

Our financial success will depend on continued growth in use of wireless telecommunications products, as well as the ability of the wireless networks we plan to use to withstand natural and other disasters.

Our future success is at least partially dependent upon continued growth in the use of wireless telecommunications products. Our products and services may not prove to be viable commercial products for a number of reasons, including lack of acceptable functionality, potentially inadequate development of the necessary infrastructure or timely development and commercialization of performance improvements. To the extent that our products experience significant growth in the number of users and use, there can be no assurance that our infrastructure will continue to be able to support the demands placed upon it by such potential growth or that the performance or reliability of our systems will not be adversely affected by this continued growth. If use of our products does not increase, or if our infrastructure does not effectively support growth that may occur, our business, operating results and financial condition may be materially and adversely affected.

Our systems may fail due to natural disasters, telecommunications failures and other events, any of which would limit the use of our products. Fire, floods, earthquakes, power loss, telecommunications failures, break-ins and similar events could damage our communications hardware and computer hardware operations for our products and services and cause interruptions in our services. If any of these circumstances were to occur, our business could be harmed. Our insurance policies may not adequately compensate us for any losses that may occur due to any failures of or interruptions in our systems.

An investor might lose its entire investment if we are unable to pay our obligations or are liquidated and dissolved.

As set forth under Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" of this report, we remain obligated under a significant amount of notes payable, and Silicon Valley Bank has been granted security interests in our assets. If we are unable to pay these or other obligations, the creditors could take action to enforce their rights, including foreclosing on their security interests, and we could be forced into liquidation and dissolution. We are also delinquent on a number of our accounts payable. Our creditors may be able to force us into involuntary bankruptcy.

In the event of our liquidation, the proceeds realized from the sale of our assets, if any, will be distributed to our stockholders only after satisfaction of claims of our creditors. The ability of our stockholders to recover all or any portion of their purchase price for the shares in that event will depend on the amount of funds realized and the claims to be satisfied therefrom.

We will require additional cash to fully implement our business strategies, including cash for (i) payment of increased operating expense and (ii) additional implementation of those business strategies. No assurance can be given, however, that we will have access to additional funds in the future, or that additional funds will be available on acceptable terms and conditions to satisfy our cash requirements to implement our business strategies. Our inability to obtain acceptable financing could have a material adverse effect on our results of operations and financial condition.

Our production and operating costs may be greater than anticipated.

We have used reasonable efforts to assess and predict costs and expenses. However, there can be no assurance that implementing our business plan may not require more employees, capital equipment, supplies or other expenditure items than management has predicted. Similarly, the cost of compensating additional management, employees and consultants or other operating costs may be more than our estimates, which could result in sustained losses.

We may experience disruption to our servers or our product software which could cause us to lose customers.

In order to function properly our devices are required to interact with computer programs and software (our "Back End"), which is critical to our business. We use all reasonable efforts to protect, maintain and insulate our Back End from any external danger. However, if there is a disruption to our Back End, due to a system failure, an act of God, a computer virus, a hacker or a failure to pay bills to our Back End vendors as they become due, we may experience a disruption in our Back End. Such a disruption could cause us to lose customers and therefore revenue.

Risks Related to Owning Our Common Stock

Our common stock is quoted on the OTC Market for trading, and we expect that the price of our common stock will fluctuate substantially.

Our stock will be available for trading on the OTC Market for the foreseeable future. An active public trading market may not develop or, if developed, may not be sustained. The market prices for securities of technology companies historically have been highly volatile, and the market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. The market price of our common stock will be affected by a number of factors, including:

- product liability claims or other litigation;
- the announcement of new products or product enhancements by us or our competitors;
- quarterly variations in our or our competitors' results of operations;
- changes in earnings estimates or comments by securities analysts;
- developments in our industry;
- developments in patent or other proprietary rights;
- general market conditions; and
- future sales of common stock by existing stockholders.

If any of the above-listed risks occur, it could cause our stock price to fall dramatically and may expose us to class action securities lawsuits which, even if unsuccessful, would be costly to defend and a distraction to management.

As of August 31, 2012, 197,861,157 shares of our common stock were issued and outstanding. As of that date we had 8,958,302 warrants outstanding and exercisable with a weighted average exercise price of $0.27 and 2,562,500 options outstanding and exercisable with a weighted average exercise price of $0.31 per share, which if exercised would result in the issuance of additional shares of our common stock. In addition to the options noted above, at August 31, 2012, 33,937,500 options are outstanding, but have not yet vested and are not yet exercisable.

There is currently a limited market for our securities, and any trading market that exists in our securities may be highly illiquid and may not reflect the underlying value of our net assets or business prospects.

Our common stock is listed on the Over The Counter Market and there is currently a limited market for our securities and there can be no assurance that an active market will ever develop. Investors are cautioned not to rely on the possibility that an active trading market may develop.

A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market could adversely affect the market price of our common stock. In August 2011, we filed a registration statement to register for sale by selling stockholders 50,000,000 shares of our common stock that were issued in a private placement and 8,754,079 shares of our common stock issuable upon exercise of outstanding warrants. That registration statement was declared effective by the Securities and Exchange Commission (the "SEC") on October 13, 2011, after which the shares could be sold in the public market. Prior to that time we were not obligated to file periodic reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), but did so on a voluntary basis. We made publicly available the "current public information" required of nonreporting issuers and therefore our stockholders could sell their common stock in compliance with Rule 144 of the SEC Inasmuch as we were considered a voluntary filer under the Exchange Act for purposes of Rule 144, a one-year holding period applied to stockholders interested in selling restricted shares of our stock pursuant to Rule 144. Once the registration statement was declared effective by the SEC, we became obligated to file periodic reports under the Exchange Act. Beginning 90 days following the registration statement being declared effective by the SEC, the applicable holding period under Rule 144 will be shortened to six months for stockholders interested in selling restricted shares of our stock pursuant to Rule 144.

We estimate that there are at least 87,118,000 shares of our common stock that are restricted and have been held over one year, which includes 50,219,000 shares held by our officers and directors that may be resold subject to applicable volume limitations. As additional shares of our common stock become available for resale in the public market under Rule 144 or otherwise, the supply of our common stock will increase, which could decrease the per share price of our common stock.

Our principal stockholders have significant voting power and may take actions that may not be in the best interests of our other stockholders.

Our officers, directors and principal stockholders together control approximately 25.0% of our outstanding common stock. These stockholders intend to act together, although they have not signed an agreement to do so. If they act together, they may be able to exercise control over our management and affairs in all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interest of our other stockholders.

In selling our convertible notes, we may have violated the registration requirements of the Securities Act which, if it occurred, would give noteholders a right to rescind their purchases.

In 2007, we sold many convertible notes each with varying terms, conditions and covenants. The proceeds raised from the sale of these notes have been used for research and development, as well as operating costs. The notes were sold to accredited investors. We made these sales in reliance on an exemption from registration provided by Section 4(2) of the Securities Act and similar state exemptions. Our counsel has advised us that the availability of those exemptions cannot be determined with legal certainty due to the fact that we may not have complied with all of the provisions of exemption safe-harbors for such sales offered by rules promulgated under the Securities Act by the SEC. Thus, it is possible that the sale of the convertible notes may have violated the registration requirements of the Securities Act. As to those sales, a right of rescission may exist on which the statute of limitations has not run. For those noteholders that elect to convert to common stock, we may have a contingent liability arising from the original purchase of the convertible notes that such noteholders converted. Assuming all noteholders convert their notes to common stock, if these sales had to be rescinded, our total potential liability could be $5,242,000 plus interest that may be accrued. That liability would extend for up to three years (five years in California) after the date of the sale of the applicable convertible note that was converted to common stock.

We have identified a material weakness with our internal controls over financial reporting, which could result in material misstatements in and restatements of our financial statements and adversely affect our stock price.

In connection with preparing our financial statements for our most recently completed fiscal year, our management evaluated the effectiveness of our internal control over financial reporting and concluded that there was a material weakness. The material weakness arises from a lack of segregation of duties to provide effective controls. We restated our revenue for the quarter ended February 28, 2010, relating to a consulting project. This also affected accounts receivable, the allowance for doubtful accounts, costs and estimated earnings in excess of billings on uncompleted contracts and bad debt expense for the period and as of the end of the period. Our failure to implement required new or improved controls could cause us to fail to meet our periodic reporting obligations, result in material misstatements in our financial statements and cause investors to lose confidence in us, any of which could adversely affect the price of our common stock.

We incur substantial costs as a result of being a public company.

As a public company, we incur significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act and the Frank-Dodd Act, as well as rules subsequently implemented by the SEC, have required changes in corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, as a result of being a public company, have created board committees and adopted additional policies regarding internal controls and disclosure controls and procedures. In addition, we will incur additional costs associated with our public company reporting requirements. These rules and regulations have made it difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

The application of the SEC's "penny stock" rules to our common stock could limit trading activity in the market, and our stockholders may find it more difficult to sell their stock.

Our common stock is currently trading at less than $5.00 per share and is therefore subject to the SEC's penny stock rules. Before a broker-dealer can sell a penny stock, these rules require that it first approve the customer for the transaction and receive from the customer a written agreement to the transaction. It must furnish the customer a document describing the risks of investing in penny stocks. The broker-dealer must also tell the customer the current market quotation, if any, for the penny stock and the compensation the firm and its broker will receive for the trade. Finally, it must send monthly account statements showing the market value of each penny stock held in the customer's account. These disclosure requirements tend to make it more difficult for a broker-dealer to make a market in penny stocks, and could; therefore, reduce the level of trading activity in a stock that is subject to the penny stock rules. Consequently, our stockholders may find it more difficult to sell their stock as compared to other securities.

We do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future.

We currently intend to retain any future earnings for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends on our common stock will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, capital requirements and such other factors as our board of directors may deem relevant at that time. Therefore, you should not expect to receive cash dividends on our common stock.

If securities or industry analysts do not publish research or reports about us, or publish negative reports about our business, our share price could decline.

Securities analysts currently do not cover our common stock and may not do so in the future. Our lack of analyst coverage might depress the price of our common stock and result in limited trading volume. If we do receive analyst coverage in the future, any negative reports published by such analysts could have similar effects.

Certain provisions of Nevada law may discourage parties interested in taking control of the company.

We are subject to certain provisions of Nevada law by virtue of being incorporated in that State. This includes a control share law that focuses on the acquisition of a "controlling interest" in a corporation that has a specified presence in Nevada, which is currently not applicable to us, and a business combination law that restricts business combinations with an "interested stockholder" for a period of three years unless the transaction by which the person first became an "interested stockholder" was approved by the corporation's board of directors. The effect of Nevada's business combination law is to potentially discourage parties interested in taking control of the company from doing so if they cannot obtain the approval of our board of directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

On May 11, 2011, we entered into a lease agreement with the Irvine Company LLC to lease approximately 4,700 square feet of general office space located at 49 Discovery, Suite 260, Irvine, California 92618, for base rent ranging from $6,199 to $7,193 per month over a 48-month lease term commencing July 1, 2011 and ending June 30, 2015.

ITEM 3. LEGAL PROCEEDINGS

Gemini Master Fund, Ltd. alleged that we were in default in the payment of the principal and unpaid accrued interest under two senior secured promissory notes in its favor in the original principal amounts of $625,000 and $100,000. These notes were secured by a pledge of 5,600,000 shares of our common stock personally owned by one of our officers. On or about February 1, 2010, Gemini seized all of the pledged shares and sold them to itself for a total of $10,000 at what it designated as an auction. It is our position that, at the time of the purported auction, the shares had a fair market value that exceeded the amount of the claimed obligation. In April 2011, Gemini filed a complaint against us for breach of contract for non-payment of amounts due under the two senior secured promissory notes. The complaint specifies damages totaling $858,292, plus pre-judgment interest, costs of suit and other relief. In June 2011, we filed a cross-complaint against Gemini for monetary damages related to Gemini's disposition of the pledged shares. It is Gemini's position that we remain obligated to pay Gemini the $858,292 in claimed damages plus pre-judgment interest, costs of suit and other relief, less the $10,000 that Gemini claims was derived from the sale of the pledged shares. It is our position, expressed in our cross-complaint, that Gemini's disposition of the pledged shares failed to comply with the law and that the pledged shares had a fair market value that exceeded the debt for which they were sold, such that Gemini's claimed obligation has been paid in full, and we are entitled to certain damages and related relief. On February 22, 2012, the Company entered into a Settlement Agreement and General Release resulting in full satisfaction of the two notes payable balance and accrued interest totaling $725,000 and $168,089, respectively.

ITEM 4. (Removed and Reserved)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

Market Information. Our common shares are currently traded on the OTC Bulletin Board under the symbol "LBAS."

The following table sets forth the range of high and low trading prices for each quarter of the last two fiscal years. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not represent actual transactions.

Fiscal Quarter Ended	High ($)	Low ($)
November 30, 2010	$ 0.31	$ 0.06
February 28, 2011	$ 0.29	$ 0.12
May 31, 2011	$ 0.19	$ 0.13
August 31, 2011	$ 1.34	$ 0.16
November 30, 2011	$ 1.07	$ 0.22
February 29, 2012	$ 0.36	$ 0.22
May 31, 2012	$ 0.47	$ 0.22
August 31, 2012	$ 0.48	$ 0.22

Reports to Security Holders. We are a reporting company pursuant to the Securities and Exchange Act of 1934. As such, we will file annual, quarterly and current reports with the SEC. We also intend to provide an annual report to our stockholders, which will include audited financial statements.

Holders of Common Stock. As of November 16, 2012, we had approximately 310 registered holders of our common stock. The number of registered holders does not include any estimate by us of the number of beneficial owners of our common stock held in street name or otherwise.

Recent Sales of Unregistered Securities.

Common Stock Issuances for Services Provided

On August 9, 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date.

On August 31, 2012, the Company issued 200,000 shares of common stock to four of the Company's directors in exchange for serving on the board of directors. The shares were valued at $48,000, which represents the fair market value of the services provided on the award date.

On August 31, 2012, the Company issued 50,000 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $12,000, which represents the fair market value of the services provided on the award date.

On September 7, 2012, the Company issued 750,000 shares of common stock to a consultant for business development services valued at $172,500 on the award date.

On November 7, 2012, the Company issued 500,000 shares of common stock to a consultant for business development services valued at $105,000 on the award date.

On November 28, 2012, the Company issued 200,000 shares of common stock to four of the Company's directors in exchange for serving on the board of directors. The shares were valued at $42,000, which represents the fair market value of the services provided on the award date.

On November 28, 2012, the Company issued 50,000 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $7,500, which represents the fair market value of the services provided on the award date.

Common Stock Issuances for Conversion of Debt

On July 26, 2012, the Company issued 350,000 shares of common stock for the partial conversion of a promissory note amounting to $77,476. The promissory note was converted on the basis of $0.22 per share.

On August 23, 2012, the Company issued 250,000 shares of common stock for the partial conversion of a promissory note amounting to $42,560. The promissory note was converted on the basis of $0.17 per share.

On August 31, 2012, the Company issued 1,097,288 shares of common stock for the conversion of accrued finder's fees and accounts payable totaling $288,844. The accrued finder's fees and accounts payable were converted on the basis of $0.26 per share.

On September 11, 2012, the Company issued 360,000 shares of common stock for the partial conversion of a promissory note amounting to $57,773. The promissory note was converted on the basis of $0.16 per share.

On September 27, 2012, the Company issued 500,000 shares of common stock for the partial conversion of a promissory note amounting to $65,320. The promissory note was converted on the basis of $0.13 per share.

On October 31, 2012, the Company issued 628,465 shares of common stock for the partial conversion of a promissory note and accrued interest amounting to $85,471. The promissory note was converted on the basis of $0.14 per share.

Common Stock Issuances for Debt Issuances

On November 28, 2012, the Company issued 550,000 shares of common stock in connection with three note payable issuances. The shares were valued at $113,500, which represents the fair market value of the note payable issuance costs on the award date.

Warrant issuance for Services Provided

On October 15, 2012, the Company issued a "Series Y" warrant to purchase 500,000 common shares at $0.20 per share to a consultant in exchange for accounting advisory services provided to the Company. The warrant expires on October 15, 2017. The fair value of the warrants using the Black-Scholes option pricing model amounted to $99,873.

Exemption From Registration. The shares of Common Stock and Warrant referenced in Part II, Item 2 above were issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(2) of the Securities Act of 1933, as amended, ("Securities Act"), and/or Regulation D, as promulgated by the U.S. Securities and Exchange Commission under the Securities Act, based upon the following: (a) each of the persons to whom the shares of Common Stock and Warrants were issued (each such person, an "Investor") confirmed to the Company that it or he is an "accredited investor," as defined in Rule 501 of Regulation D promulgated under the Securities Act and has such background, education and experience in financial and business matters as to be able to evaluate the merits and risks of an investment in the securities, (b) there was no public offering or general solicitation with respect to the offering of such shares, (c) each Investor was provided with certain disclosure materials and all other information requested with respect to the Company, (d) each Investor acknowledged that all securities being purchased were being purchased for investment intent and were "restricted securities" for purposes of the Securities Act, and agreed to transfer such securities only in a transaction registered under the Securities Act or exempt from registration under the Securities Act and (e) a legend has been, or will be, placed on the certificates representing each such security stating that it was restricted and could only be transferred if subsequently registered under the Securities Act or transferred in a transaction exempt from registration under the Securities Act.

Re-Purchase of Equity Securities. None

Dividends. We have never declared or paid any cash dividends on our common stock and we do not anticipate that we will pay any cash dividends on our common stock in the foreseeable future. Any future determination regarding the payment of cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our board of directors may deem relevant at that time.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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

RESULTS OF OPERATIONS

For the year ended August 31, 2012 as compared to the year ended August 31, 2011.

Revenue. For the year ended August 31, 2012, we generated $948,110 of net revenue as compared to $16,969 of net revenue for the year ended August 31, 2011. Net revenue for the year ended August 31, 2012, consisted of $835,025 from the sales of PocketFinder devices and $113,085 from monthly subscription service income.

Cost of Revenue. For the year ended August 31, 2012, cost of revenue totaled $2,104,063 resulting in a negative gross margin of $1,155,953 as compared to $8,217 for the year ended August 31, 2011. The cost of revenue was significantly higher than net revenue during the year ended August 31, 2012, as we incurred labor cost overages and higher than anticipated bill of material components costs to accelerate our initial production run to meet our distributor delivery deadlines. In addition, certain fixed overhead charges such as test equipment rentals and call center expenses contributed to the negative gross margin. Such labor overages, components cost overages and fixed overhead charges are reflected in “other” cost of revenue totaling $1,370,335 for the year ended August 31, 2012. We anticipate that our unit cost will be significantly lower as our production volumes grow.

Operating Expenses. For the year ended August 31, 2012, our total operating expenses were $5,918,062 as compared to total operating expenses of $3,558,304 for the year ended August 31, 2011. Operating expenses increased by $2,359,758 or 66% in 2012 from 2011. The increase in operating expenses is primarily attributed to the following:

- An $835,973 increase in general and administrative expenses to $1,616,139 for the year ended August 31, 2012, as compared to $780,166 for the year ended August 31, 2011. The increase in general and administrative expenses in 2012 as compared to 2011 is due to the following:

    - Increase in advertising fees to market our products;
    - Increase in insurance costs as a result of increasing our product liability coverage;
    - Increase in computer expenses related to our website and development of the PocketFinder apps; and
    - Recognition of board of directors fees upon the establishment of the board in October 2011.

- A $692,233 increase in officer compensation to $1,232,233 for the year ended August 31, 2012, as compared to $540,000 for the year ended August 31, 2011. The increase in officer compensation is due to the addition of our Chief Marketing Officer in October 2011 and our part-time Chief Financial Officer in March 2012. Approximately $461,000 of the increase is due to the vesting of stock options for four executive officers in accordance with Executive Employment Agreements. The fair value of the vested stock options using the Black-Scholes option pricing model amounted to $461,495;

- A $509,906 increase in professional fees to $2,079,583 for the year ended August 31, 2012, as compared to $1,569,677 for the year ended August 31, 2011. The increase in professional fees is primarily attributed to a significant increase in legal fees related to the Gemini Master Fund, Ltd. loan defaults and to prepare the filing of our registration statement on Form S-1. In addition, professional fees increased due to the addition of eleven consultants specializing in sales and marketing, business development, financial services, technology, and customer service;

- A $391,249 increase in salaries and wages to $391,249 for the year ended August 31, 2012, whereby there were no such expenses for the year ended August 31, 2011 due to the transition of six persons from consultant to employee status; and

- The increases above were offset by a $77,836 decrease in rent to $76,478 for the year ended August 31, 2012, as compared to $154,314 for the year ended August 31, 2011, due to moving to smaller office space in Irvine.

Other Income/Expenses. For the year ended August 31, 2012, we reported net other expenses totaling $888,670 that consisted of net interest expense, financing costs, amortization of beneficial conversion feature and deferred financing costs, gain on debt settlement, loss as asset disposals and foreign currency gains and losses as compared to net other expenses totaling $4,655,384 for the year ended August 31, 2011. The $3,766,714 decrease in other income and expenses is primarily due to the following:

- A $2,661,551 decrease in financing costs to $276,220 for the year ended August 31, 2012, as compared to $2,937,771 for the year ended August 31, 2011 due to a significant reduction in finder's fees and financing activities following the private placement in July 2011;

- A $287,278 decrease in the amortization of beneficial conversion features on notes payable to $33,889 for the year ended August 31, 2012, as compared to $321,167 for the year ended August 31, 2011 as there was a $193,694 unamortized beneficial conversion feature at August 31, 2012 as compared to $0 as of August 31, 2011;

- A $338,332 increase in the amortization of deferred financing costs to $458,500 for the year ended August 31, 2012, as compared to $120,168 for the year ended August 31, 2011 as there was were several promissory notes that were entered into during the year ended August 31, 2012, that incurred high amounts of financing costs to be amortized over the life of the related debt;

- A $138,225 decrease in interest expense to $453,786 for the year ended August 31, 2012, as compared to $592,011 for the year ended August 31, 2011 as note payables were converted during the year ended August 31, 2012;

- A $685,500 decrease in the loss on inventory purchase commitment to $0 for the year ended August 31, 2012, as compared to $685,500 for the year ended August 31, 2011 as there was no such loss during the year ended August 31, 2012;

- A $580,598 gain on debt settlement related to the Gemini Master Fund, Ltd. notes payable was recognized during the year ended August 31, 2012, whereby, there was no such gain during the year ended August 31, 2011; and

- A $246,768 loss on asset disposals related to the write-off of certain fixed assets that were no longer being used was recognized during the year ended August 31, 2012, whereby, there was no such write-off during the year ended August 31, 2011.

Net Loss. For the year ended August 31, 2012, we reported a net loss of $7,963,485 as compared to a net loss of $8,222,705 for the year ended August 31, 2011, due to fluctuations in operating and other expenses as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

We had cash and cash equivalents of $376,554 as of August 31, 2012, as compared to $3,619,576 as of August 31, 2011. The decrease in cash as of August 31, 2012, as compared to August 31, 2011 is attributed to the purchase of device components and the production of PocketFinder devices.

Accounts receivable, net of the allowance for doubtful accounts and sales returns, totaled $188,273 as of August 31, 2012 whereby there were no accounts receivable as of August 31, 2011. The majority of accounts receivable at August 31, 2012, consists of amounts due from Apple and several other distributors and wholesalers.

Inventory totaled $3,332,966 as of August 31, 2012, as compared to $24,809 as of August 31, 2011 and consisted of $7,859 of packaging supplies, $1,652,298 of device components and $1,672,809 of finished goods.

Prepaid expenses and other assets including deferred financing costs totaled $186,915 as of August 31, 2012, as compared to $1,502,838 as of August 31, 2011 and consisted of prepaid advisor retainers, insurance, interest, commissions, license fees, and prepaid manufacturing costs. The decrease in prepaid expenses as of August 31, 2012 from August 31, 2011 is the result of recognizing approximately $1.4 million in prepaid manufacturing costs at August 31, 2011; whereby, there were no such costs at August 31, 2012.

There were no manufacturing deposits as of August 31, 2012, as compared to $2,800,000 as of August 31, 2011. The decrease is the result of using deposits to purchase inventory components and manufacture PocketFinder devices from August 31, 2011 to August 31, 2012.

As of August 31, 2012, the total of our property and equipment, less accumulated depreciation, was a net value of $123,982, compared to the net value of $191,855 for our property and equipment, less accumulated depreciation, as of August 31, 2011. The decrease is primarily due to writing off certain tooling and equipment used for device production, and office furniture that we were no longer using.

Other assets, consisted of patents and trademarks, net of amortization, and deposits. Deposits consisted of the security deposit for our office lease and amounted to $30,000 as of August 31, 2012 and August 31, 2011. Patents and trademarks, net of amortization, amounted to $1,248,608 as of August 31, 2012, as compared to $1,231,084 as of August 31, 2011. We periodically assess our patents and intellectual property for impairment and none has been recorded to date.

Our total assets as of August 31, 2012, were $5,487,298 as compared to our total assets as of August 31, 2011, which were $9,400,162. The decrease in our total assets between the two periods was primarily due to a decrease in cash that was offset by an increase in inventory as previously discussed.

As of August 31, 2012, our accounts payable and accrued expenses were $1,304,648 as compared to $1,329,689 as of August 31, 2011.

As of August 31, 2012, deferred compensation was $998,458 as compared to $914,765 as of August 31, 2011.

As of August 31, 2012, deferred revenue was $16,539 as compared to $0 as of August 31, 2011 and consisted of prepaid service revenue from subscribers.

There were no outstanding advances from officers or related accrued interest as of August 31, 2012, as compared to $9,462 as of August 31, 2011. Advances from officers and accrued interest at August 31, 2011 were paid off in September 2011.

Convertible notes payable, net of the $193,694 beneficial conversion feature amounted to $1,878,770 as of August 31, 2012, as compared to $750,000 as of August 31, 2011. The related accrued interest on these convertible notes totaled $163,093 as of August 31, 2012, as compared to $168,573 as of August 31, 2011. The $2,072,464 of convertible promissory notes as of August 31, 2012 are short term, to be repaid out of future operating cash flow.

On January 5, 2011, we entered into a Loan and Security Agreement with Silicon Valley Bank for a $1,000,000 line of credit originally expiring January 5, 2012. On August 24, 2011, the Loan and Security Agreement was amended by a First Amendment to Loan and Security Agreement to waive existing and pending defaults on loan covenants. On February 3, 2012, the Loan and Security Agreement was amended by a Second Amendment to Loan and Security Agreement to extend the maturity date to April 4, 2012 and to waive existing and pending defaults on loan covenants. On April 17, 2012, the Loan and Security Agreement was amended by a Third Amendment to Loan and Security Agreement to extend the maturity date to October 5, 2012 and to waive existing and pending defaults on loan covenants. On November 19, 2012, but effective as of October 5, 2012, the Loan and Security Agreement was amended by a Fourth Amendment to Loan and Security Agreement to extend the maturity date to October 5, 2013, to amend the interest rate and to waive existing and pending defaults on loan covenants. All other terms and conditions remain unchanged. Silicon Valley Bank maintains a security interest in all of our personal property. The outstanding balance on our line of credit and accrued interest totaled $1,000,000 and $5,597, respectively, as of August 31, 2012 and 2011.

Inventory purchase commitment as of August 31, 2012, amounted to $48,054 compared to $685,500 as of August 31, 2011, and consisted of the liability on losses from inventory purchase commitments recognized in August 2011.

On December 1, 2010, in anticipation of entering into the Loan and Security Agreement with Silicon Valley Bank and in connection with loans that he had made to us, we entered into a Financing Agreement with Greggory S. Haugen under which, among other things, Mr. Haugen agreed to personally guaranty our obligations under the Loan and Security Agreement with Silicon Valley Bank. We are obligated to reimburse Mr. Haugen for any amounts, including interest, he pays under the guaranty. To compensate Mr. Haugen for his guaranty, we issued a warrant to him to purchase 3,600,000 shares of our common stock at an exercise price of $0.20 per share and we agreed to pay him $5,000 per month for so long as he has any obligation under the guaranty or he has not been reimbursed by us for any amounts paid by him under the guaranty. The $5,000 monthly fee is payable in cash or shares of our common stock at Mr. Haugen's option. Under the Financing Agreement, we granted Mr. Haugen board observation rights, certain registration rights, and the right to approve our use of funds drawn under the Loan and Security Agreement. We also agreed to grant Mr. Haugen a security interest in all of our assets, junior only to the security interest of Silicon Valley Bank. In the event of an "Actionable Violation," which is defined to include, among other things, our failure to maintain certain minimum net income levels, our failure to maintain a specified minimum account balance, or our failure to make any payment required under the Financing Agreement or any other agreement between Mr. Haugen and us, Mr. Haugen may, among other things, market our assets (including our intellectual property) and require us to sell such assets (subject to the approval of Silicon Valley Bank) with the proceeds to be applied to all amounts then due to Silicon Valley Bank and thereafter to any amounts due by us to Mr. Haugen under the Financing Agreement or any other agreement or instrument. In January 2011, we entered into the following agreements with Mr. Haugen: (i) a Security Agreement granting him a security interest in all of our assets to secure the reimbursement obligation under the Financing Agreement and every other debt, liability or obligation that we currently or at any time in the future owe to him and (ii) a related Intellectual Property Security Agreement granting him a security interest in all of our intellectual property. On April 18, 2012, but effective as of January 6, 2012, we entered into a Second Amendment to Loan Guarantor Agreement to provide an additional monthly compensation fee of $20,000 per month to act as guarantor and to extend the term of the original Financing Agreement until July 6, 2012. On August 30, 2012, we entered into a Third Amendment to Loan Guarantor Agreement to extend the terms of the original Financing Agreement and Second Amendment until January 6, 2013.

In 2007, we sold $5,242,000 in convertible notes that were subsequently converted into 5,242,000 shares of common stock. The notes were sold to accredited investors. We made these sales in reliance on an exemption from registration provided by Section 4(2) of the Securities Act and similar state exemptions. Our counsel has advised us that the availability of those exemptions cannot be determined with legal certainty due to the fact that we may not have complied with all of the form filings or other notice filing provisions of safe-harbor exemptions for such sales offered by rules promulgated under the Securities Act by the SEC and applicable state laws. Thus, it is possible that the sale of the convertible notes may have violated the registration requirements of the Securities Act and applicable state laws. As to those sales, a right of rescission may exist on which the statute of limitations has not run. We performed an analysis under FAS 5, *Accounting for Contingencies,* and concluded that the likelihood of a right of rescission being successfully enforced on the convertible note sales is remote.

CASH REQUIREMENTS

We are an early stage wireless technology company focused on the marketing and sales of the PocketFinder family of products for retail distribution. Since our inception, we have generated significant losses. As of August 31, 2012, we had an accumulated deficit of $45,015,115 and we expect to incur continual losses until sometime in calendar year 2013.

We have a limited history of operations. To date, we have funded our operations primarily through personal loans by the founders and the private placement of our common stock and convertible notes.

As of August 31, 2012, we had $376,554 in cash and cash-equivalents. Over the next several quarters we expect to invest significant amounts of funds to develop our sales and marketing programs associated with the commercialization and launch of the PocketFinder family of products. We also expect to fund any additional inventory requirements and any necessary general overhead requirements.

We expect to have to obtain additional financing in the coming months for general and administrative expenses as well as purchasing and maintaining inventory, and for related purposes such as packaging, shipping, and direct sales and marketing costs. We are not able to estimate the amount of funds necessary as it will be determined by the volume represented by purchase orders from targeted distributors and direct end users.

Our funding requirements will depend on numerous factors, including:

- Costs involved in production and manufacturing to fill purchase orders, software and interface customization for OEM partners, and the network necessary to commence the commercialization of the PocketFinder People and PocketFinder Pets devices;

- The costs of outsourced manufacturing;

- The costs of commercialization activities, including product marketing, sales and distribution, and customer service and support;

- Our revenues, if any, from successful commercialization of the PocketFinder devices and the PocketFinder Network platform services; and

- Other general and administrative expenses associated with running the day to day operations of our Company.

On March, 16, 2012, we consummated a financing with JMJ Financial ("JMJ") which could net us up to $2,000,000 in capital. As of August 31, 2012, we received investments from JMJ totaling $1,560,000, but future capital distributions shall be made solely at JMJ's discretion. Due to the uncertain nature of any future funding from JMJ, we may need to raise debt or equity capital this coming quarter. The sale of additional equity securities may result in additional dilution to our stockholders. The sale of debt securities could involve substantial operational and financial covenants that might inhibit our ability to follow our business plan. Additional financing may not be available in amounts or on terms acceptable to us or at all. If we are unable to obtain additional financing, we may be required to reduce the scope of, delay or eliminate some or all of our planned commercialization activities, which could adversely affect our financial conditions and operating results.

Product Research and Development

We plan to continue to develop new product enhancements to our existing product on the market including PocketFinder People and PocketFinder Vehicles. We are currently in the final process of testing the PocketFinder XL (“extended life”) devices with some key potential customers.

Plant and Equipment, Employees

We do not plan to purchase or sell any significant equipment, plant or properties during the foreseeable future. Our business operations are based on a strategic outsourcing model, thereby negating the need for significant amounts of plant and equipment, or significant numbers of employees. We currently have nine employees and do not anticipate hiring any significant number of additional employees during the next 12 months but will add a few selected and strategic employees.

Off-Balance Sheet Arrangements

As of August 31, 2012, we had no off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Location Based Technologies, Inc
Irvine, California

We have audited the accompanying consolidated balance sheets of Location Based Technologies, Inc. as of August 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years ended August 31, 2012 and 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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, 2012 and 2011, and the results of its operations, changes in stockholders' equity and cash flows for the year ended August 31, 2012 and 2011, in conformity with U.S. generally accepted accounting principles.

As explained in Note 13 to the financial statements, the Company retrospectively changed its method of revenue recognition for devices sold to its primary distributor, effective for the fourth fiscal quarter of 2012. The accompanying financial statements have been retroactively restated to reflect the change. Our opinion is not modified with respect to this matter.

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 $45,000,000. There is no established sales history for the Company's products, which are new to the marketplace. These conditions raise substantial doubt about the Company's 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.

Denver, Colorado
November 23, 2011
(Except for Note 13, which is
dated January 14, 2013)

/s/ Comiskey & Company

PROFESSIONAL CORPORATION

Location Based Technologies, Inc.
CONSOLIDATED BALANCE SHEETS
August 31, 2012 and 2011

	August 31, 2012	August 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 376,554	$ 3,619,576
Accounts receivable, net of allowance for doubtful accounts	188,273	-
Inventory, current	1,982,966	24,809
Prepaid expenses and other assets	127,581	1,499,504
Manufacturing deposits	-	2,800,000
Deferred financing costs	59,334	3,334
Total current assets	2,734,708	7,947,223
Property and equipment, net of accumulated depreciation	123,982	191,855
OTHER ASSETS		
Patents and trademarks, net of accumulated amortization	1,248,608	1,231,084
Inventory, noncurrent	1,350,000	-
Deposits	30,000	30,000
Total other assets	2,628,608	1,261,084
TOTAL ASSETS	$ 5,487,298	$ 9,400,162
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,304,648	$ 1,329,689
Deferred compensation	998,458	914,765
Deferred revenue	16,539	-
Advances from officers and accrued interest	-	9,462
Line of credit and accrued interest	1,005,597	1,005,597
Convertible notes payable and accrued interest, net of unamortized beneficial conversion feature	2,041,863	918,534
Inventory purchase commitment	48,054	-
Total current liabilities	5,415,159	4,178,047
TOTAL LIABILITIES	5,415,159	4,178,047
Inventory purchase commitment (long-term)	-	685,500
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $0.001 par value; 300,000,000 shares authorized; 197,861,157 and 191,570,055 shares issued and outstanding at August 31, 2012 and 2011, respectively	135,461	129,170
Additional paid-in capital	45,226,793	41,752,408

Prepaid services paid in common stock	(275,000)	(293,333)
Accumulated deficit	(45,015,115)	(37,051,630)
Total stockholders' equity (deficit)	72,139	4,536,615
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 5,487,298	$ 9,400,162

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended August 31, 2012 and 2011

	For the years ended August 31, 2012	For the years ended August 31, 2011
Net revenue		
Devices	$ 835,025	$ 10,288
Services	113,085	6,681
Total net revenue	948,110	16,969
Cost of revenue		
Devices	455,028	6,671
Services	278,700	10,314
Other	1,370,335	8,201
Total cost of revenue	2,104,063	25,186
Gross loss	(1,155,953)	(8,217)
Operating expenses		
General and administrative	1,616,139	780,166
Officer compensation	1,232,233	540,000
Professional fees	2,079,583	1,569,677
Rent	76,478	154,314
Research and development	522,380	514,147
Salaries and wages	391,249	-
Total operating expenses	5,918,062	3,558,304
Net operating loss	(7,074,015)	(3,566,521)
Other income (expense)		
Financing costs	(276,220)	(2,937,771)
Amortization of beneficial conversion feature	(33,889)	(321,167)
Amortization of deferred financing costs	(458,500)	(120,168)
Interest income (expense), net	(453,786)	(592,011)
Gain on debt settlement	580,598	-
Loss on asset disposals	(246,768)	-
Loss on inventory purchase commitment	-	(685,500)
Foreign currency gain (loss), net	(105)	1,233
Total other income (expense)	(888,670)	(4,655,384)
Net loss before income taxes	(7,962,685)	(8,221,905)
Provision for income taxes	800	800
Net Loss	$ (7,963,485)	$ (8,222,705)

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended August 31, 2012 and 2011

	For the years ended	
	August 31, 2012	**August 31, 2011**
Accumulated Deficit:		
Balance, beginning of period	$ (37,051,630)	$ (28,828,925)
Net Loss	$ (7,963,485)	$ (8,222,705)
Balance, end of period	$ (45,015,115)	$ (37,051,630)
Basic - Earnings (loss) per share	$ (0.04)	$ (0.07)
Basic - Weighted Average Number of Shares Outstanding	193,281,099	121,702,626

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the years ended August 31, 2012 and 2011

	Preferred Stock		Common Stock			Additional Paid-In Capital	Prepaid Services Paid-In Common Stock	Deficit Accumulated During the Development Stage	Total Stockholders Equity (Deficit)
	Number of Shares	Amount	Number of Shares	Amount	To be issued				
Balance, August 31, 2010	-	-	107,322,272	44,923	100	24,382,165	(209,500)	(28,828,925)	(4,611,237)
Common stock to be issued in connection with note payable extensions, September 2010	-	-	-	-	125	11,375	-	-	11,500
Issuance of common stock in connection with a note payable issuance, September 2010	-	-	250,000	250	-	24,750	-	-	25,000
Issuance of common stock for services, September 2010	-	-	500,000	500	-	129,500	(20,000)	-	110,000
Issuance of common stock in connection with note payable issuances, October 2010	-	-	800,000	800	(200)	69,400	-	-	70,000
Common stock to be issued in connection with a note payable issuance, October 2010	-	-	-	-	150	38,850	-	-	39,000
Issuance of S warrants for services, December 2010	-	-	-	-	-	1,055,636	-	-	1,055,636
Issuance of common stock for	-	-	4,000,000	4,000	-	796,000	-	-	800,000

conversion of notes payable and accrued interest, December 2010									
Issuance of common stock for services, December 2010	-	-	945,714	946	-	196,254	-	-	197,200
Issuance of common stock in connection with a note payable issuance, December 2010	-	-	150,000	150	(150)	-	-	-	-
Issuance of common stock in connection with a note payable extension, December 2010	-	-	25,000	25	(25)	-	-	-	-
Issuance of common stock in connection with cancellation of warrants, December 2010	-	-	54,480	54	-	(54)	-	-	-
Common stock to be issued in connection with a note payable extension, February 2011	-	-	-	-	100	18,900	-	-	19,000
Issuance of common stock for services, February 2011	-	-	3,000,000	3,000	-	597,000	-	-	600,000

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the years ended August 31, 2012 and 2011

	Preferred Stock		Common Stock			Additional	Prepaid Services Paid-In	Deficit Accumulated During the	Total Stockholders
	Number of Shares	Amount	Number of Shares	Amount	To be issued	Paid-In Capital	Common Stock	Development Stage	Equity (Deficit)
Issuance of common stock for conversion of a note payable and accrued interest, February 2011	-	-	669,932	670	-	133,316	-	-	133,986
Common stock to be issued in connection with note payable extensions, March 2011	-	-	-	-	200	33,800	-	-	34,000
Issuance of common stock in connection with note payable extensions and conversions of note payables and accrued interest, March 2011	-	-	1,279,863	1,280	(200)	214,893	-	-	215,973
Issuance of common stock for services, April 2011	-	-	1,371,429	1,371	-	216,129	(56,923)	-	160,577
Issuance of common stock for services, May 2011	-	-	270,000	270	-	42,930	(40,000)	-	3,200
Issuance of common stock in connection with a note payable extension, May 2011	-	-	100,000	100	(100)	-	-	-	-
Issuance of common stock for conversion of related party advances from officer and deferred compensation, July 2011	-	-	4,318,750	4,319	-	859,431	-	-	863,750

Issuance of common stock for services, July 2011	-	-	2,065,000	2,065	-	450,285	(440,000)	-	12,350
Issuance of common stock in connection with conversion of notes payable and accrued interest, July 2011	-	-	1,229,559	1,229	-	244,683	-	-	245,912
Issuance of common stock for conversion of debt, July 2011	-	-	150,000	150	-	29,850	-	-	30,000
Issuance of common stock in connection with cancellation of warrants, July 2011	-	-	35,000	35	-	(35)	-	-	-
Common stock to be issued in connection with conversion of note payable and accrued interest, July 2011	-	-	-	-	536	106,642	-	-	107,178

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the years ended August 31, 2012 and 2011

	Preferred Stock		Common Stock			Additional	Prepaid Services Paid-In	Deficit Accumulated During the	Total Stockholders
	Number of Shares	Amount	Number of Shares	Amount	To be issued	Paid-In Capital	Common Stock	Development Stage	Equity (Deficit)
Issuance of common stock for services and cancellation of warrants, July 2011	-	-	400,000	400	-	99,600	-	-	100,000
Issuance of common stock in connection with private placement, net of offering costs, July 2011	-	-	50,000,000	50,000	-	8,272,412	-	-	8,322,412
Issuance of common stock in connection with conversion of notes payable and accrued interest, August 2011	-	-	10,785,891	10,786	(536)	2,039,750	-	-	2,050,000
Issuance of common stock in connection with cancellation of warrants, August 2011	-	-	50,000	50	-	(50)	-	-	-
Issuance of common stock for conversion of interest on related party advances from officer and deferred compensation, August 2011	-	-	597,165	597	-	118,836	-	-	119,433
Issuance of common stock for conversion of debt, August 2011	-	-	1,200,000	1,200	-	279,909	-	-	281,109

Issuance of T warrants for services, August 2011	-	-	-	-	-	837,664	-	-	837,664
Issuance of U warrants for services, August 2011	-	-	-	-	-	140,587	-	-	140,587
Amortization of prepaid services paid-in common stock	-	-	-	-	-	-	473,090	-	473,090
Beneficial conversion discount of convertible notes payable	-	-	-	-	-	312,000	-	-	312,000
Net loss	-	-	-	-	-	-	-	(8,222,705)	(8,222,705)
Balance, August 31, 2011	-	-	191,570,055	129,170	-	41,752,408	(293,333)	(37,051,630)	4,536,615
Issuance of common stock for services, December 2011	-	-	690,278	690	-	247,810	-	-	248,500
Issuance of stock options to officers for services, January 2012	-	-	-	-	-	404,121	-	-	404,121

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the years ended August 31, 2012 and 2011

	Preferred Stock		Common Stock			Additional	Prepaid Services Paid-In	Deficit Accumulated During the	Total Stockholders
	Number of Shares	Amount	Number of Shares	Amount	To be issued	Paid-In Capital	Common Stock	Development Stage	Equity (Deficit)
Issuance of common stock for services, February 2012	-	-	1,226,786	1,227	-	400,273	(250,000)	-	151,500
Gain on debt settlement, February 2012	-	-	-	-	-	312,491	-	-	312,491
Issuance of X warrants for services, March 2012	-	-	-	-	-	3,761	-	-	3,761
Issuance of stock options for services, March 2012	-	-	-	-	-	57,374	-	-	57,374
Issuance of V warrants in connection with a note payable issuance, March 2012	-	-	-	-	-	200,000	-	-	200,000
Issuance of common stock in connection with a note payable issuance, April 2012	-	-	200,000	200	-	55,800	-	-	56,000
Issuance of W warrants in connection with a note payable issuance, May 2012	-	-	-	-	-	250,000	-	-	250,000
Issuance of common stock from the exercise of warrants, May 2012	-	-	24,359	25	-	(25)	-	-	-
Issuance of common stock for services, May 2012	-	-	175,000	175	-	63,825	-	-	64,000

Issuance of common stock for services, June 2012	-	-	1,000,000	1,000	-	299,000	-	-	300,000
Issuance of common stock from the exercise of warrants, June 2012	-	-	27,391	27	-	(27)	-	-	-
Issuance of stock options to an officer for services, June 2012	-	-	-	-	-	28,687	-	-	28,687
Issuance of stock options for services, June 2012	-	-	-	-	-	71,718	-	-	71,718
Issuance of common stock for the conversion of a note payable, July 2012	-	-	350,000	350	-	77,126	-	-	77,476
Issuance of common stock for services, August 2012	-	-	1,250,000	1,250	-	358,750	(300,000)		60,000

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the years ended August 31, 2012 and 2011

	Preferred Stock		Common Stock			Additional	Prepaid Services Paid-In	Deficit Accumulated During the	Total Stockholders
	Number of Shares	Amount	Number of Shares	Amount	To be issued	Paid-In Capital	Common Stock	Development Stage	Equity (Deficit)
Issuance of common stock for the conversion of a note payable, August 2012	-	-	250,000	250	-	42,310	-	-	42,560
Issuance of stock options to an officer for services, August 2012	-	-	-	-	-	28,687	-	-	28,687
Issuance of stock options for services, August 2012	-	-	-	-	-	57,374	-	-	57,374
Issuance of common stock for conversion of debt, August 2012	-	-	1,097,288	1,097	-	287,747	-	-	288,844
Amortization of prepaid services paid-in common stock	-	-	-	-	-	-	568,333	-	568,333
Beneficial conversion discount of convertible notes payable	-	-	-	-	-	227,583	-	-	227,583
Net loss	-	-	-	-	-	-	-	(7,963,485)	(7,963,485)
Balance, August 31, 2012	-	$ -	197,861,157	$135,461	$ -	$ 45,226,793	$(275,000)	$ (45,015,115)	$ 72,139

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2012 and 2011

	For the years ended	
	August 31, 2012	August 31, 2011
Cash Flows from Operating Activities		
Net loss	$ (7,963,485)	$ (8,222,705)
Adjustment to reconcile net loss to net cash used in operating activities:		
Recognition of loss on inventory purchase commitment	(637,446)	685,500
Recognition of loss on asset disposals	246,768	-
Depreciation and amortization	143,541	29,397
Amortization of beneficial conversion feature	33,889	321,167
Amortization of prepaid services paid-in common stock	568,333	473,090
Common stock issued for services	1,374,000	1,183,327
Common stock issued for financing costs	56,000	560,346
Warrants issued for services	3,761	2,033,887
Options issued for services	647,961	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(188,273)	-
(Increase) decrease in inventory	(3,308,157)	(24,809)
(Increase) decrease in prepaid expenses and other assets	1,371,923	(4,299,504)
(Increase) decrease in debt issuance/financing costs	(56,000)	6,668
(Increase) decrease in deposits	2,800,000	(13,841)
Increase (decrease) in accounts payable and accrued expenses	(25,041)	(975,803)
Increase (decrease) in accrued officer compensation	83,693	(98,638)
Increase (decrease) in deferred revenue	16,539	-
Increase (decrease) in accrued interest	(64,145)	(43,558)
Net cash used in operating activities	(4,896,139)	(8,385,476)
Cash Flows from Investing Activities		
Purchase of property and equipment	(311,535)	(181,539)
Additions to patents and trademarks	(28,425)	66,291
Net cash used in investing activities	(339,960)	(115,248)
Cash Flows from Financing Activities		
Advances / (repayments) from officers, net	(9,423)	(437,874)
Proceeds from issuance of common stock and warrants, net of offering costs	-	9,085,409
Proceeds from sale of convertible notes payable and warrants	1,000,000	-
Proceeds from convertible notes payable	1,312,500	2,830,000
Repayment on convertible notes payable	(310,000)	(350,000)
Proceeds from notes payable	500,000	58,298
Repayment on notes payable	(500,000)	(65,800)
Proceeds from line of credit	-	1,000,000
Net cash provided by financing activities	1,993,077	12,120,033
Net increase (decrease) in cash and cash equivalents	(3,243,022)	3,619,309
Cash and cash equivalents, beginning of period	3,619,576	267

Cash and cash equivalents, end of period	$ 376,554	$ 3,619,576

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

Location Based Technologies, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2012 and 2011

	For the years ended	
	August 31, 2012	August 31, 2011
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 800	$ 2,400
Interest paid	$ 109,472	$ 252,305
Supplemental disclosure of noncash financing and investing activities:		
Issuance of common stock for financing costs	$ 56,000	$ 560,346
Issuance of common stock for services	$ 1,374,000	$ 1,183,327
Issuance of warrants for services	$ 3,761	$ 2,033,887
Issuance of options for services	$ 647,961	$ -
Issuance of common stock for conversion of notes payable and accrued interest	$ 408,880	$ 3,864,158
Issuance of common stock for conversion of related party advances from officers, accrued interest and deferred officer compensation	$ -	$ 983,183

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company designs, develops, and sells personal, pet, and vehicle locator devices and services including PocketFinder® People, PocketFinder® Pets and PocketFinder® Vehicles. The PocketFinder® is a small, completely wireless, location device that enables a user to locate a person, pet, vehicle or valuable item at any time from almost anywhere using Global Positioning System ("GPS") and General Packet Radio Service ("GPRS") technologies. The Company is located in Irvine, California.

Organization

Location Based Technologies, Inc. (formerly known as Springbank Resources, Inc.) (the "Company," "our," or "LBT") was incorporated under the laws of the State of Nevada on April 10, 2006.

Location Based Technologies, Corp. (formerly known as PocketFinder, Inc.) was incorporated under the laws of the State of California on September 16, 2005. On July 7, 2006, it established PocketFinder, LLC ("LLC"), a California Limited Liability Company. On May 29, 2007, PocketFinder, Inc. filed amended articles with the Secretary of State to change its name to Location Based Technologies, Corp.

On September 30, 2009, the Company formed Location Based Technologies, Ltd. ("LBT, Ltd."), an England and Wales private limited company, to establish a presence in Europe. LBT, Ltd. is a wholly owned subsidiary of the Company.

Merger

On August 24, 2007, Location Based Technologies, Corp. merged with PocketFinder, LLC. The merger was approved by the shareholders of Location Based Technologies, Corp. and PocketFinder, LLC by unanimous written consent. Location Based Technologies, Corp. was the survivor of the merger with PocketFinder, LLC.

Each Class A Membership Unit of the LLC was converted into 150,000 shares of common stock of the Company or fraction thereof and each Class C Membership Unit of the LLC was cancelled. Upon consummation of the merger, 10.9 Class A Membership Units of the LLC were converted into 1,635,000 shares of common stock of the Company.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Stock Exchange Agreement

On October 11, 2007, Location Based Technologies, Corp. effected a stock exchange agreement and plan of reorganization (the "Agreement") with Springbank Resources, Inc. ("SRI") whereby SRI acquired all of the issued and outstanding shares of Location Based Technologies, Corp. in exchange for shares of SRI's common stock.

Subject to the terms and conditions of the Agreement, SRI issued, and the stockholders of Location Based Technologies, Corp. accepted 55,153,500 shares of SRI's common stock in consideration for all of the issued and outstanding shares of Location Based Technologies, Corp. The shares of SRI's common stock were allocated to the shareholders of Location Based Technologies, Corp. in accordance with the Agreement.

The former shareholders of Location Based Technologies, Corp. acquired control of SRI upon the closing of the stock exchange transaction. The exchange was accounted for as a reverse acquisition. Accordingly, for financial statement purposes, Location Based Technologies, Corp. was considered the accounting acquiror, and the related business combination was considered a recapitalization of Location Based Technologies, Corp. rather than an acquisition by SRI. The historical financial statements prior to the Agreement are those of Location Based Technologies, Corp., and the name of the company was changed to Location Based Technologies, Inc.

Consolidation Policy

The accompanying consolidated financial statements include the accounts and operations of the Company and its wholly owned subsidiary, Location Based Technologies, Ltd. Intercompany balances and transactions have been eliminated in consolidation.

Stock Split

All share and per-share amounts in the accompanying financial statements, unless otherwise indicated, have been retroactively restated to reflect a 3 for 1 stock split approved by the Board in October 2008, as if the split had been in effect since inception.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred net losses since inception, and as of August 31, 2012, had an accumulated deficit of $45,015,115. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management recognizes that the Company must generate additional resources to enable it to continue operations. Management intends to raise additional financing through debt and equity financing or through other means that it deems necessary, with a view to moving forward and sustaining prolonged growth in its strategy phases. However, no assurance can be given that the Company will be successful in raising additional capital. Further, even if the Company raises additional capital, there can be no assurance that the Company will achieve profitability or positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Company will not be able to meet its obligations and may have to cease operations.

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior period amounts or balances to conform to the presentation adopted in the current period.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents

For purposes of the balance sheets and statements of cash flows, the Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Cash and Cash Equivalents – The cash and cash equivalent balances at August 31, 2012 and 2011 were principally held by two institutions which insured our aggregated accounts with the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per insured banking institution. At times, the Company has maintained bank balances which have exceeded FDIC limits. The Company has not experienced any losses with respect to its cash balances.

Revenue and Accounts Receivable – For the year ended August 31, 2012, revenue from one of the Company's customers amounted to $689,170 or 73% of total net revenue. Accounts receivable from this customer amounted to $214,643 or 96% of total accounts receivable at August 31, 2012.

Allowance for Doubtful Accounts

The allowance for doubtful accounts on accounts receivable is charged to operations in amounts sufficient to maintain the allowance for uncollectible accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and the current status of accounts receivable. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired. As of August 31, 2012 and 2011 the allowance for doubtful accounts amounted to $304,597 and is related to the LoadRack project.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Inventory

Inventories are valued at the lower of cost (first-in, first-out) or market and primarily consisted of packaging supplies, components and finished goods for the Company's PocketFinder® products. A portion of the inventory totaling $1,350,000 is classified as a noncurrent asset at August 31, 2012 (see Note 2).

Net losses on firm purchase commitments for inventory are recognized in accordance with FASB ASC 330 – *Inventory*, whereby losses arising from firm, uncancelable and unhedged commitments for the future purchase of inventory items are recognized in the current period. For the year ended August 31, 2011, the Company recognized losses and a related liability from inventory purchase commitments totaling $685,500. As of August 31, 2012 and 2011, the liability from inventory purchase commitments amounted to $48,054 and $685,500, respectively.

Fair Value of Financial Instruments

Pursuant to FASB ASC 820 – *Fair Value Measurement and Disclosures*, the Company is required to estimate the fair value of all financial instruments included on its balance sheet. The carrying value of cash, accounts receivable, inventory, accounts payable and notes payable approximate their fair value due to the short period to maturity of these instruments.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method and with useful lives used in computing depreciation ranging from 1 to 5 years. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Expenditures for maintenance and repairs are charged to operations as incurred; additions, renewals and betterments are capitalized.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Internal Website Development Costs

Under FASB ASC 350-50 – *Intangibles – Goodwill and Other – Website Development Costs*, costs and expenses incurred during the planning and operating stages of the Company's web site development are expensed as incurred. Costs incurred in the web site application and infrastructure development stages are capitalized by the Company and amortized to expense over the web site's estimated useful life or period of benefit. As of August 31, 2012 and 2011, the Company capitalized costs totaling $1,361,959 related to its website development.

Long-Lived Assets

The Company accounts for its long-lived assets in accordance with FASB ASC 360 – *Impairment or Disposal of Long-Lived Assets* that requires long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. During the year ended August 31, 2010, due to uncertainties related to the recovery of its investment in the PocketFinder® website as a result of generally poor economic conditions and the Company's history of difficulties in obtaining financing for product launch, the Company recorded a full impairment of its Website Development Costs totaling $1,361,959 (see note 3).

Beneficial Conversion Feature of Convertible Notes Payable

The Company accounts for the beneficial conversion feature of convertible notes payable when the conversion rate is below market value. Pursuant to FASB ASC 470-20 – *Debt With Conversion and Other Options*, the estimated fair value of the beneficial conversion feature is recorded in the financial statements as a discount from the face amount of the notes. Such discounts are amortized over the term of the notes or conversion of the notes, if sooner.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Intangible Assets – Patents and Trademarks

The Company capitalizes internally developed assets related to certain costs associated with patents and trademarks. These costs include legal and registration fees needed to apply for and secure patents. The intangible assets acquired from other enterprises or individuals in an "arms length" transaction are recorded at cost. As of August 31, 2012 and 2011, the Company capitalized $1,209,631 and $1,184,968, respectively, for patent related expenditures. As of August 31, 2012 and 2011, the Company capitalized $59,470 for trademark related expenditures.

Patents are subject to amortization upon issuance by the United States Patent and Trademark Office. Intangible assets are amortized in accordance with FASB ASC 350 – *Intangibles – Goodwill and Other,* using the straight-line method over the shorter of their estimated useful lives or remaining legal life. Amortization expense totaled $7,139 and $26,900 for the years ended August 31, 2012 and 2011, respectively.

Deferred Revenue

Deferred revenue is a liability related to a revenue producing activity for which revenue has not yet been recognized. As of August 31, 2012, deferred revenue amounted to $16,539 and consisted of prepaid service revenue from subscribers.

Revenue Recognition

Revenues are recognized in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition,* when (a) persuasive evidence of an arrangement exists, (b) the products or services have been provided to the customer, (c) the fee is fixed or determinable, and (d) collectability is reasonably assured. In instances where the customer, at its discretion, has the right to reject the product or services prior to final acceptance, revenue is deferred until such acceptance occurs.

Device Sales Revenue – Revenue from the sales of PocketFinder® products is recognized upon shipment to website customers and upon delivery to distributors net of an allowance for estimated returns. The allowance for sales returns is estimated based on management's judgment using historical experience and expectation of future conditions.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition (Continued)

Service Revenue – Service revenue consists of monthly service fees initiated by the customer upon activation of a PocketFinder® device. Services fees are billed and collected in advance of the service provided for that month. Service revenue is recognized upon billing the customer.

Shipping Costs

Amounts billed to customers related to shipping and handling are classified as revenue, and the Company's shipping and handling costs are included in cost of sales.

Research and Development

Research and development costs are clearly identified and are expensed as incurred in accordance with FASB ASC 730 – *Research and Development*. For the years August 31, 2012 and 2011, the Company incurred $522,380 and $514,147 of research and development costs, respectively.

Stock Based Compensation

The Company measures and recognizes compensation expense associated with its grant of equity-based awards in accordance with FASB ASC 718, *Compensation – Stock Compensation*. ASC 718 requires that companies measure and recognize compensation expense at an amount equal to the fair value of share-based payments granted under compensation arrangements over the vesting period.

In accordance with ASC 718, the Company estimates the grant-date fair value of its stock options using the Black-Scholes option-pricing model, which takes into account assumptions regarding an expected dividend yield, a risk-free interest rate, an expected volatility factor for the market price of the Company's common stock and an expected term of the stock options. For the year ended August 31, 2012, stock-based compensation expense associated with stock options totaled $647,961.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Provision for Income Taxes

The Company accounts for income taxes under FASB ASC 740 – *Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations. The Company has included its $800 minimum franchise fee in its provision for income taxes for the years August 31, 2012 and 2011.

Foreign Currency Translation

The Company accounts for foreign currency translation of its wholly owned subsidiary, Location Based Technologies, Ltd., pursuant to FASB ASC 830 – *Foreign Currency Matters*. The functional currency of Location Based Technologies, Ltd. is the British Pound Sterling. All assets and liabilities of Location Based Technologies, Ltd. are translated into United States Dollars using the current exchange rate at the end of each period. Revenues and expenses are translated using the average exchange rates prevailing throughout the respective periods. Certain transactions of the Location Based Technologies, Ltd. are denominated in United States dollars. Translation gains or losses related to such transactions are recognized for each reporting period in the related consolidated statements of operations.

Earnings/ Loss Per Share

The Company computes basic earnings (loss) per share using the weighted average number of common shares outstanding during the period in accordance with FASB ASC 260 – *Earnings Per Share,* which specifies the compilation, presentation, and disclosure requirements for income per share for entities with publicly held common stock or instruments which are potentially common stock.

Diluted earnings (loss) per share are computed using the weighted average number of common shares outstanding and the dilutive potential common shares outstanding during the period. Dilutive potential common shares primarily consist of stock options and warrants issued by the Company. These potential common shares are excluded from diluted loss per share as their effect would be anti-dilutive.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which amends ASC Topic 820, *Fair Value Measurement*. The purpose of ASU 2011-04 is to clarify the intent about the application of existing fair value measurement and disclosure requirements and to change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The Company did not have a material impact to its consolidated financial statements implementing the provisions of ASU 2011-04.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which amends ASC Topic 220, *Comprehensive Income*. The objective of ASU 2011-05 is to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The update will require entities to present items of net income, items of other comprehensive income and total comprehensive income in one continuous statement or two separate consecutive statements, and entities will no longer be allowed to present items of other comprehensive income in the statement of stockholders' equity. Reclassification adjustments between other comprehensive income and net income will be presented separately on the face of the financial statements. The Company does not expect the provisions of ASU 2011-05 to have a material impact to its consolidated financial statements.

In August 2011, the FASB issued ASU 2011-08, *Intangibles — Goodwill and Other,* which amends ASC Topic 350, *Intangibles — Goodwill and Other*. The purpose of ASU 2011-08 is to simplify how an entity tests goodwill for impairment. Entities will assess qualitative factors to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. In instances where the fair value is determined to be less than the carrying value, entities will perform the two-step quantitative goodwill impairment test. The Company does not expect the provisions of ASU 2011-08 to have a material impact to its consolidated financial statements.

2. INVENTORY

Inventory at August 31, 2012 and 2011 consisted of the following:

	August 31, 2012	August 31, 2011
Current:		
Packaging supplies	$ 7,859	$ 13,129
Device components	452,298	11,680
Finished goods	1,522,809	-
Inventories, current	$ 1,982,966	$ 24,809
Noncurrent:		
Device components	$ 1,200,000	$ -
Finished goods	150,000	-
Inventories, noncurrent	$ 1,350,000	$ -

In the first quarter of 2012, the Company purchased a substantial amount of inventory components to produce PocketFinder® devices. Management analyzed its inventories based on existing purchase orders and current potential orders for future delivery and determined we may not realize all of the inventory components and finished goods within the next year. Inventories totaling $1,350,000 which may not be realized within a 12-month period have been reclassified as long-term as of August 31, 2012.

3. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2012 and 2011 consisted of the following:

	August 31, 2012	August 31, 2011
Website development costs	$ 1,361,959	$ 1,361,959
Machinery and equipment	55,965	168,024
Computer software (mobile apps)	83,999	101,626
Computer software (internal)	51,263	-
Computer and video equipment	17,632	40,777
Office furniture	24,526	34,800
	1,595,344	1,707,186
Less: accumulated depreciation and impairment adjustment	(1,471,362)	(1,515,331)
Total property and equipment	$ 123,982	$ 191,855

3. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years August 31, 2012 and 2011 amounted to $136,402 and $27,033, respectively. In addition, the Company recorded an impairment of its Website development costs in the amount of $1,361,959 during the years ended August 31, 2010, due to uncertainty concerning, at the time, its ability to obtain sufficient financing to bring its products to market.

4. RELATED PARTY TRANSACTIONS

Advances from Officers

From time to time, the Company's officers advance funding to the Company to cover operating expenses. Cash advances from officers accrue interest at the rate of 8% per annum and have no formal repayment terms.

During the year ended August 31, 2012, there were no new advances from officers and repayments on advances totaled $9,423. In June 2011, $500,000 of advances from an officer was converted into 2,500,000 shares of the Company's common stock at $0.20 per share. Outstanding advances from officers amounted to $0 as of August 31, 2012.

During the year ended August 31, 2012, $55 of interest was accrued and $94 of interest was paid on officer advances. In August 2011, $105,433 of accrued interest on advances from an officer was converted into 527,165 shares of the Company's common stock at $0.20 per share. Accrued interest on officer advances amounted to $0 as of August 31, 2012.

Services Provided

A relative of the Chief Operating Officer provides bookkeeping and accounting services to the Company for $3,000 per month. During the year ended August 31, 2012, bookkeeping and accounting fees for this related party totaled $32,150.

4. <u>RELATED PARTY TRANSACTIONS</u> (Continued)

Services Provided (Continued)

On March 30, 2011, the Company entered into an Employment Letter of Intent ("LOI") with a relative of the Company's CEO and President, to act as Vice President of Customer Service. Under the terms of the LOI, the related party is paid compensation of $10,000 per month and 250,000 shares of the Company's common stock as a signing bonus. The common stock was valued at $42,500 on the award date. On March 15, 2012, the Company entered into an Executive Employment Agreement with the related party. Under the terms of Executive Employment Agreement, the related party is paid compensation of $12,500 per month plus sales commissions and is entitled to earn up to 1,500,000 stock options that vest upon achieving certain milestones. During the year ended August 31, 2012, total cash compensation and stock compensation under these related party agreements totaled $134,575 and $18,000, respectively. In addition, there were 62,500 stock options that vested during the year ended August 31, 2012 valued at $14,344.

West Coast Customs

In July 2012, an officer of the Company entered into a Subscription Agreement with West Coast Customs ("WCC") to acquire an approximate 1.5% ownership of WCC. The Company and WCC are under a Manufacturing and Trademark License Agreement for co-branding of the PocketFinder® products.

Promissory Note

On August 30, 2012, the Company entered into an unsecured convertible promissory note agreement with a board member for $200,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 30, 2013. 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 the Company's common stock on the basis of $0.20 per share (see Note 6).

5. NOTE PAYABLE

$500,000 Promissory Note

On January 17, 2012, the Company entered into a promissory note agreement for $500,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by April 16, 2012. The note bears interest at 12% or $60,000 for 90 days. In addition, the Company issued 200,000 shares of common stock valued at $56,000 on the award date.

As of August 31, 2012, the note payable balance and interest totaling $560,000 was repaid.

6. CONVERTIBLE NOTES PAYABLE

$625,000 Senior Secured Promissory Note

On November 18, 2008, the Company entered into a senior secured promissory note agreement for $625,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by February 18, 2009, or upon a minimum of $1,500,000 being raised by the Company. The note bears interest at 12% per annum and may be repaid at any time before the repayment date, in part or in full, without penalty, and is secured by common stock personally owned by an officer of the Company. In addition, the Company issued 50,000 shares of common stock valued at $55,000 on the date of issuance.

On January 30, 2009, the promissory note agreement was extended for an additional three months (“First Extension”) and due on May 18, 2009. As consideration for the First Extension, the Company issued an additional 50,000 shares of common stock valued at $47,000 on the date of issuance.

On May 7, 2009, the promissory note agreement was extended for an additional three months (“Second Extension”) and due on August 18, 2009. As consideration for the Second Extension, the Company issued an additional 50,000 shares of common stock valued at $32,000 on the date of issuance.

On August 20, 2009, the promissory note agreement was extended for an additional three months (“Third Extension”) and due on November 18, 2009. As consideration for the Third Extension, the Company issued an additional 25,000 shares of common stock valued at $20,500 on the award date.

6. CONVERTIBLE NOTES PAYABLE (Continued)

$625,000 Senior Secured Promissory Note (Continued)

In connection with the Third Extension, a conversion feature was added whereby the outstanding principal and unpaid accrued interest may be converted, at any time, in whole or in part, into shares of the Company's common stock on the basis of $0.65 per share. The conversion rate of $0.65 per share was below the market value of $0.82 per share resulting in a beneficial conversion feature in the amount of $163,462, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note extension.

On August 27, 2009, in accordance with the Third Extension, the Company converted $52,603 of interest accrued through July 31, 2009, into 80,927 shares of the Company's common stock on the basis of $0.65 per share.

In June 2010, common shares personally owned by a Company officer which had been pledged as collateral for this note were surrendered to the note holder.

On February 22, 2012, the Company entered into a Settlement Agreement and General Release resulting in full satisfaction of the note payable balance and accrued interest totaling $625,000 and $146,737, respectively.

$100,000 Senior Secured Promissory Note

On May 7, 2009, the Company entered into a senior secured promissory note agreement for $100,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 18, 2009, or upon a minimum of $1,500,000 being raised by the Company. The note bears interest at 12% per annum and may be repaid at any time before the repayment date, in part or in full, without penalty, and is secured by common stock personally owned by an officer of the Company. In addition, the Company issued 50,000 shares of common stock valued at $32,000 on the date of issuance.

On August 20, 2009, the promissory note agreement was extended for an additional three months ("First Extension") and due on November 18, 2009. As consideration for the First Extension, the Company issued an additional 25,000 shares of common stock valued at $20,500 on the award date.

In connection with the First Extension, a conversion feature was added whereby the outstanding principal and unpaid accrued interest may be converted, at any time, in whole or in part, into shares of the Company's common stock on the basis of $0.65 per share.

6. <u>CONVERTIBLE NOTES PAYABLE</u> (Continued)

<u>$100,000 Senior Secured Promissory Note</u> (Continued)

The conversion rate of $0.65 per share was below the market value of $0.82 per share resulting in a beneficial conversion feature in the amount of $26,154, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note extension.

On August 27, 2009, in accordance with the First Extension, the Company converted $2,827 of interest accrued through July 31, 2009, into 4,350 shares of the Company's common stock on the basis of $0.65 per share.

On February 22, 2012, the Company entered into a Settlement Agreement and General Release resulting in full satisfaction of the note payable balance and accrued interest totaling $100,000 and $21,352, respectively.

<u>$25,000 Promissory Note</u>

On June 28, 2011, the Company 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 June 27, 2012. 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 the Company's common stock on the basis of $0.25 per share. On June 27, 2012, the promissory note agreement was extended for an additional six months and is due on December 27, 2012.

As of August 31, 2012, the note payable balance and accrued interest totaled $25,000 and $2,925, respectively.

6. CONVERTIBLE NOTES PAYABLE (Continued)

JMJ Financing

On March 16, 2012, the Company entered into a Securities Purchase Agreement ("SPA") for $500,000 pursuant to which the Company entered into a Promissory Note Agreement ("Note") for $555,000 consisting of $500,000 of principal and $55,000 of prepaid interest, and "V warrants" to purchase 869,565 shares of the Company's common stock. Under the terms of the Note, $555,000 of principal and interest shall be repaid by September 16, 2012. If the loan is repaid within the first 90 days, no additional interest shall be charged. If the Company extends the loan beyond the first 90 days, an additional 12% interest shall be charged for the next 90 days. The Note contains a maturity date default provision whereby the greater of a predetermined conversion amount or 130% of the principal and 100% of the accrued interest is due if the note is not repaid by the due date. The Note can be converted into the Company's common stock at the end of the term only if the principal and interest are not repaid based upon the conversion price formula. The warrants permit for the purchase of 869,565 shares of common stock at $0.23 per share. The warrants expire on March 16, 2017. Under the terms of the SPA, $200,000 was allocated for the purchase of the warrants and the remaining $300,000 was allocated for the Note. As of August 31, 2012, the note payable balance and accrued interest totaled $555,000 and $66,600, respectively.

On April 18, 2012, the Company entered into a Promissory Note Agreement ("Note") for $620,000 consisting of $560,000 of principal and $60,000 of prepaid interest. Under the terms of the Note, $620,000 of principal and interest shall be repaid by July 18, 2012. The Note contains a maturity date default provision whereby the greater of a predetermined conversion amount or 130% of the principal and 100% of the accrued interest is due if the note is not repaid by the due date. The Note can be converted into the Company's common stock at the end of the term only if the principal and interest are not repaid based upon the conversion price formula. During the year ended August 31, 2012, $310,000 of the principal balance was repaid and $120,036 was converted into 600,000 shares of the Company's common stock. The due date of July 18, 2012 was not extended, and therefore, the Company is in default in the payment of the principal and unpaid accrued interest. As of August 31, 2012, the note payable balance and prepaid interest totaled $189,964 and $18,600, respectively.

6. CONVERTIBLE NOTES PAYABLE (Continued)

JMJ Financing (Continued)

On May 1, 2012, the Company entered into a Securities Purchase Agreement ("SPA") for $500,000 pursuant to which the Company entered into a Promissory Note Agreement ("Note") for $550,000 consisting of $500,000 of principal and $50,000 of prepaid interest, and "W warrants" to purchase 1,086,957 shares of the Company's common stock. Under the terms of the Note, $550,000 of principal and interest shall be repaid by November 1, 2012. If the loan is repaid within the first 90 days, no additional interest shall be charged. If the Company extends the loan beyond the first 90 days, an additional 12% interest shall be charged for the next 90 days. The Note contains a maturity date default provision whereby the greater of a predetermined conversion amount or 130% of the principal and 100% of the accrued interest is due if the note is not repaid by the due date. The Note can be converted into the Company's common stock at the end of the term only if the principal and interest are not repaid based upon the conversion price formula. The warrants permit for the purchase of 1,086,957 shares of common stock at $0.23 per share. The warrants expire on May 1, 2017. Under the terms of the SPA, $250,000 was allocated for the purchase of the warrants and the remaining $250,000 was allocated for the Note. As of August 31, 2012, the note payable balance and prepaid interest totaled $550,000 and $66,000, respectively.

$300,000 Unsecured Convertible Promissory Note

On June 28, 2012, the Company entered into an unsecured convertible promissory note agreement for $300,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by June 28, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.42 per share resulting in a beneficial conversion feature in the amount of $120,000, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $21,370 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $201,370 and $5,342, respectively.

6. CONVERTIBLE NOTES PAYABLE (Continued)

$50,000 Unsecured Convertible Promissory Note

On July 9, 2012, the Company entered into an unsecured convertible promissory note agreement for $50,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 9, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.41 per share resulting in a beneficial conversion feature in the amount of $18,333, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $2,712 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $34,379 and $740, respectively.

$25,000 Unsecured Convertible Promissory Note

On July 9, 2012, the Company entered into an unsecured convertible promissory note agreement for $25,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 9, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.41 per share resulting in a beneficial conversion feature in the amount of $9,167, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $1,356 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $17,189 and $370, respectively.

6. CONVERTIBLE NOTES PAYABLE (Continued)

$27,500 Unsecured Convertible Promissory Note

On July 9, 2012, the Company entered into an unsecured convertible promissory note agreement for $27,500. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 9, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.41 per share resulting in a beneficial conversion feature in the amount of $10,083, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $1,492 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $18,908 and $407, respectively.

$50,000 Unsecured Convertible Promissory Note

On July 13, 2012, the Company entered into an unsecured convertible promissory note agreement for $50,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 13, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.40 per share resulting in a beneficial conversion feature in the amount of $16,667, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $2,283 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $35,616 and $685, respectively.

6. CONVERTIBLE NOTES PAYABLE (Continued)

$100,000 Unsecured Convertible Promissory Note

On July 13, 2012, the Company entered into an unsecured convertible promissory note agreement for $100,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 13, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.40 per share resulting in a beneficial conversion feature in the amount of $33,333, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $4,566 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $71,233 and $1,370, respectively.

$200,000 Unsecured Convertible Promissory Note

On August 30, 2012, the Company entered into an unsecured convertible promissory note agreement for $200,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 30, 2013. 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 the Company's common stock on the basis of $0.20 per share.

The conversion rate of $0.20 per share was below the market value of $0.22 per share resulting in a beneficial conversion feature in the amount of $20,000, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $110 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $180,110 and $55, respectively.

7. LINE OF CREDIT

On January 5, 2011, the Company entered into a Loan and Security Agreement ("Loan Agreement") with Silicon Valley Bank for a $1,000,000 non-formula line of credit. The principal amount outstanding under the credit line accrues interest at a floating per annum rate equal to the greater of (i) the Prime Rate, plus 2.5% or (ii) 6.5% and is to be paid monthly. The principal is due at maturity on January 5, 2012. The Company must maintain certain financial covenants under the Loan Agreement. The personal guarantor for the credit line is a director and stockholder of the Company.

In accordance with the Loan Agreement, Silicon Valley Bank earned a success fee equal to 6% warrant coverage of the credit line or $60,000 divided by a $0.20 share price upon the Company successfully raising new capital or equity in excess of $2,000,000. The warrant is valid for five years from the time of issuance (see Note 10).

On August 24, 2011, the Company entered into a First Amendment to Loan and Security Agreement ("First Amendment") to waive existing and pending defaults for failing to comply with certain financial covenants. On February 3, 2012, the Company entered into a Second Amendment to Loan and Security Agreement ("Second Amendment") to extend the maturity date to April 4, 2012 and to waive existing and pending defaults for failing to comply with certain financial covenants. On April 17, 2012, the Company entered into a Third Amendment to Loan and Security Agreement ("Third Amendment") to extend the maturity date to October 5, 2012 and to waive existing and pending defaults for failing to comply with certain financial covenants.

As of August 31, 2012, the outstanding balance on the line of credit and accrued interest totaled $1,000,000 and $5,597, respectively.

8. COMMITMENTS AND CONTINGENCIES

Inventory Purchase Commitments

On July 20, 2011, the Company initiated a purchase order to manufacture the first 10,000 PocketFinder® devices. As of August 31, 2011, the Company recognized losses and a related liability from inventory purchase commitments totaling $685,500. The liability from inventory purchase commitments is relieved as the related inventory is sold. As of August 31, 2012, the balance of the liability from inventory purchase commitments amounted to $48,054.

8. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

On May 11, 2011, the Company entered into a lease agreement to lease approximately 4,700 square feet of general office space in Irvine, California, for base rent ranging from $6,199 to $7,193 per month over the 48 month lease term. The lease term is from July 1, 2011 through June 30, 2015.

Total rental expense on operating leases for the years ended August 31, 2012 and 2011 totaled $76,478 and $154,314, respectively.

As of August 31, 2012, the future minimum lease payments are as follows:

For the Years Ending:

August 31, 2013	$	78,928
August 31, 2014		82,526
August 31, 2015		71,930
Total	$	233,384

Contingencies

In 2007, the Company sold convertible notes to accredited investors in reliance on an exemption from registration provided by Section 4(2) of the Securities Act and similar state exemptions. Management has been advised by counsel that the availability of those exemptions cannot be determined with legal certainty due to the fact that the Company or its predecessors may not have complied with all of the provisions of exemption safe-harbors for such sales offered by rules promulgated under the Securities Act by the SEC. Thus, it is possible that a right of rescission may exist for shares underlying the convertible notes for which the statute of limitations has not run. From November 2007 through December 2007, all of the convertible notes payable totaling $5,242,000 were converted into 15,726,000 shares of the Company's common stock, and subsequently, some of the shares were sold in the open market. Management has performed an analysis under FAS 5, *Accounting for Contingencies,* and concluded that the likelihood of a right of rescission being successfully enforced on the remaining convertible note shares is remote, and consequently, has accounted for these shares in permanent equity in the financial statements.

8. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (Continued)

On April 5, 2011, Gemini Master Fund, Ltd., filed a complaint for breach of contract against Location Based Technologies for non-payment of outstanding loans. The complaint specifies damages totaling $858,292, plus pre-judgment interest, costs of suit and other relief. The entire amount of the loans plus accrued interest, which together approximate the specified damages, are included in the accompanying financial statements. On June 8, 2011, the Location Based Technologies filed a Cross-Complaint against Gemini Master Fund, Ltd. for monetary damages related to the creditor's disposition of common shares of Location Based Technologies which had been pledged as collateral for the notes. On February 22, 2012, the Company entered into a Settlement Agreement and General Release resulting in full satisfaction of the outstanding loans and accrued interest (see Note 6).

9. EQUITY

Common Stock (Reflects 3 for 1 stock split distributed October 20, 2008)

On October 13, 2008, the Board of Directors declared a 3 for 1 stock split to be effected in the nature of a 200% stock dividend, whereby the holders of each share of common stock received an additional two shares of common stock. The record date for the stock dividend was October 20, 2008 and resulted in the issuance of an additional 58,061,276 (pre-split) shares of common stock. In addition, the Company's articles of incorporation were amended to increase its authorized shares in an amount that corresponds to the stock split, thereby increasing the authorized shares of common stock from 100,000,000 to 300,000,000. Unless otherwise indicated, all share and per-share amounts in these financial statements have been retroactively restated to reflect the 3 for 1 stock split as if the split had been in effect since inception.

In September 2010, the Company issued 250,000 shares of common stock in connection with a note payable issuance. The shares were valued at $25,000, which represents the fair market value of the note payable issuance costs on the award date.

In September 2010, the Company issued 500,000 shares of common stock in exchange for business development and capital raising advisory services. The shares were valued at $130,000, which represents the fair market value of the services provided on the award date.

9. <u>EQUITY</u> (Continued)

<u>Common Stock</u> (Continued)

In October 2010, the Company issued 200,000 shares of common stock in connection with a note payable issuance and extension. The shares were valued at $22,000, which represents the fair market value of the note payable issuance and extension costs on the award date.

In October 2010, the Company issued 200,000 shares of common stock in connection with a debt issuance. The shares were valued at $22,000, which represents the fair market value of the debt issuance costs on the award date.

In October 2010, the Company issued 400,000 shares of common stock in connection with debt issuances. The shares were valued at $48,000, which represents the fair market value of the debt issuance costs on the award date.

In December 2010, the Company issued 25,000 shares of common stock in connection with a note payable extension. The shares were valued at $3,500, which represents the fair market value of note payable extension costs on the award date.

In December 2010, the Company issued 150,000 shares of common stock in connection with a note payable issuance. The shares were valued at $39,000, which represents the fair market value of the note payable issuance costs on the award date.

In December 2010, the Company issued 54,480 shares of common stock in exchange for the cancellation of 54,480 “Series D” and “Series E” warrants.

In December 2010, the Company issued 3,500,000 shares of common stock for the conversion of two promissory notes totaling $700,000. The promissory notes were converted on the basis of $0.20 per share. In addition, 500,000 shares of common stock were issued in connection with the conversion in accordance with the promissory note agreement and were valued at $100,000, which represents the fair market value of the debt conversion costs on the award date.

In December 2010, the Company issued 60,000 shares of common stock in exchange for consulting services related to sales and business development services. The shares were valued at $10,200, which represents the fair market value of the services provided on the award date.

In December 2010, the Company issued 100,000 shares of common stock in exchange for accounting related advisory services. The shares were valued at $17,000, which represents the fair market value of the services provided on the award date.

9. EQUITY (Continued)

Common Stock (Continued)

In December 2010, the Company issued 500,000 shares of common stock in exchange for business development and capital raising advisory services. The shares were valued at $130,000, which represents the fair market value of the services provided on the award date.

In December 2010, the Company issued 285,714 shares of common stock in exchange for business development and sales representative services. The shares were valued at $40,000, which represents the fair market value of the services provided on the award date.

In February 2011, the Company issued 3,000,000 shares of common stock in exchange for public relations advisory services. The shares were valued at $600,000, which represents the fair market value of the services provided on the award date.

In February 2011, the Company issued 669,932 shares of common stock for the conversion of two promissory notes and accrued interest totaling $130,000 and $3,986, respectively. The promissory notes and accrued interest were converted on the basis of $0.20 per share.

In March 2011, the Company issued 200,000 shares of common stock in connection with note payable extensions. The shares were valued at $34,000, which represents the fair market value of note payable extension costs on the award date.

In March 2011, the Company issued 1,079,863 shares of common stock for the conversion of two promissory notes and accrued interest totaling $200,000 and $15,973, respectively. The promissory notes and accrued interest were converted on the basis of $0.20 per share.

In April 2011, the Company issued 500,000 shares of common stock in exchange for business development and capital raising advisory services. The shares were valued at $80,000, which represents the fair market value of the services provided on the award date.

In April 2011, the Company issued 321,429 shares of common stock in exchange for business development and sales representative services. The shares were valued at $45,000, which represents the fair market value of the services provided on the award date.

9. EQUITY (Continued)

Common Stock (Continued)

In April 2011, the Company issued 500,000 shares of common stock in connection with two Letter of Intent for Employment Agreements. The shares were valued at $85,000, which represents the fair market value of the services provided on the award date.

In April 2011, the Company issued 50,000 shares of common stock in exchange for accounting related advisory services. The shares were valued at $7,500, which represents the fair market value of the services provided on the award date.

In May 2011, the Company issued 20,000 shares of common stock in exchange for sales advisory services. The shares were valued at $3,200, which represents the fair market value of the services provided on the award date.

In May 2011, the Company issued 250,000 shares of common stock in exchange for business development and capital raising advisory services. The shares were valued at $40,000, which represents the fair market value of the services provided on the award date.

In May 2011, the Company issued 100,000 shares of common stock in connection with a note payable extension. The shares were valued at $19,000, which represents the fair market value of note payable extension costs on the award date.

In July 2011, the Company issued 4,318,750 shares of common stock in exchange for the conversion of $500,000 in related party advances from an officer and $363,750 of deferred officer compensation. The officer advances and deferred officer compensation were converted on the basis of $0.20 per share.

In July 2011, the Company issued 2,000,000 shares of common stock to two consultants in exchange for business development and sales representative services. The shares were valued at $440,000, which represents the fair market value of the services provided on the award date.

In July 2011, the Company issued 1,229,559 shares of common stock for the conversion of five promissory notes and accrued interest totaling $227,498 and $18,414, respectively. The promissory notes and accrued interest were converted on the basis of $0.20 per share.

In July 2011, the Company issued 150,000 shares of common stock for the conversion of accounts payable totaling $30,000. The accounts payable were converted on the basis of $0.20 per share.

9. EQUITY (Continued)

Common Stock (Continued)

In July 2011, the Company issued 65,000 shares of common stock to two consultants in exchange for consulting services related to technology development and accounting related advisory services. The shares were valued at $12,350, which represents the fair market value of the services provided on the award date.

In July 2011, the Company issued 400,000 shares of common stock to a consultant in exchange for business development and sales representative services and for the cancellation of 28,410 previously issued “Series H” warrants and 186,567 previously issued “Series P” warrants. The shares were valued at $100,000, which represents the fair market value of the services provided on the award date.

In July 2011, the Company issued 35,000 shares of common stock to a consultant in exchange for the cancellation of 25,000 previously issued “Series R” warrants.

In July 2011, the Company performed a private placement with certain investors and issued 50,000,000 shares of the Company’s common stock at a purchase price of $0.20 per share for cash proceeds of $8,322,412, net of offering costs of $1,677,588.

In August 2011, the Company issued 50,000 shares of common stock to a consultant in exchange for the cancellation of 20,408 previously issued “Series G” warrants.

In August 2011, the Company issued 597,165 shares of common stock in exchange for the conversion of $105,433 in accrued interest on advances from an officer and $14,000 of deferred officer compensation. The accrued interest on advances and deferred officer compensation were converted on the basis of $0.20 per share.

In August 2011, the Company issued 1,200,000 shares of common stock for the conversion of accrued finder’s fees and accounts payable totaling $281,109. The accrued finder’s fees and accounts payable were converted on the basis of $0.20 per share.

In August 2011, the Company issued 10,785,891 shares of common stock for the conversion of sixteen promissory notes and accrued interest totaling $1,965,000 and $192,178, respectively. The promissory notes and accrued interest were converted on the basis of $0.20 per share.

In December 2011, the Company issued 250,000 shares of common stock to a consultant in exchange for consulting services related to business development. The shares were valued at $90,000, which represents the fair market value of the services provided on the award date.

9. EQUITY (Continued)

Common Stock (Continued)

In December 2011, the Company issued 150,000 shares of common stock to three consultants in exchange for consulting services related to technology development. The shares were valued at $54,000, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 90,278 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $32,500, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 50,000 shares of common stock to a consultant in exchange for legal advisory services. The shares were valued at $18,000, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 50,000 shares of common stock to a consultant and related party in exchange for customer service related advisory services. The shares were valued at $18,000, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 100,000 shares of common stock to an employee in accordance with an employment agreement. The shares were valued at $36,000, which represents the fair market value of the services provided on the award date.

In February 2012, the Company issued 200,000 shares of common stock to four of the Company's directors in exchange for serving on the board of directors. The shares were valued at $94,000, which represents the fair market value of the services provided on the award date.

In February 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date.

In February 2012, the Company issued 26,786 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $7,500, which represents the fair market value of the services provided on the award date.

In April 2012, the Company issued 200,000 shares of common stock in connection with a note payable issuance. The shares were valued at $56,000, which represents the fair market value of the note payable issuance costs on the award date.

9. EQUITY (Continued)

Common Stock (Continued)

In May 2012, the Company issued 24,359 shares of common stock in connection with a cashless exercise of 50,000 "Series T" warrants at an exercise price of $0.20 per share.

In May 2012, the Company issued 25,000 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $8,500, which represents the fair market value of the services provided on the award date.

In May 2012, the Company issued 100,000 shares of common stock to a consultant in exchange for consulting services related to business development. The shares were valued at $37,000, which represents the fair market value of the services provided on the award date.

In May 2012, the Company issued 50,000 shares of common stock to three consultants in exchange for consulting services related to technology development. The shares were valued at $18,500, which represents the fair market value of the services provided on the award date.

In June 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date.

In June 2012, the Company issued 27,391 shares of common stock in connection with a cashless exercise of 60,000 "Series T" warrants at an exercise price of $0.20 per share.

In July 2012, the Company issued 350,000 shares of common stock for the partial conversion of a promissory note amounting to $77,476. The promissory note was converted on the basis of $0.22 per share.

In August 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date.

In August 2012, the Company issued 250,000 shares of common stock for the partial conversion of a promissory note amounting to $42,560. The promissory note was converted on the basis of $0.17 per share.

In August 2012, the Company issued 1,097,288 shares of common stock for the conversion of accrued finder's fees and accounts payable totaling $288,844. The accrued finder's fees and accounts payable were converted on the basis of $0.26 per share.

9. EQUITY (Continued)

Common Stock (Continued)

In August 2012, the Company issued 200,000 shares of common stock to four of the Company's directors in exchange for serving on the board of directors. The shares were valued at $48,000, which represents the fair market value of the services provided on the award date.

In August 2012, the Company issued 50,000 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $12,000, which represents the fair market value of the services provided on the award date.

Prepaid Services Paid In Common Stock

In August 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date to be amortized from August 1, 2012 to July 31, 2013. Unamortized prepaid services paid in common stock related to such stock issuance amounted to $275,000 at August 31, 2012.

Warrants

Warrants to purchase up to 8,958,302 shares of the Company's common stock are outstanding at August 31, 2012 (see Note 10).

Stock Incentive Plan

On January 12, 2012, the board of directors adopted the Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan"). The aggregate number of shares of common stock that may be issued under the 2007 Plan is 20,000,000 and such shares are reserved for issuance out of the authorized but previously unissued shares. Employees, service providers and non-employee directors of the Company and its affiliates are eligible to receive non-statutory stock options, incentive stock options, restricted stock and stock appreciation rights. The 2007 Plan will continue until the earlier of the termination of the 2007 Plan by the board of directors or ten years after the effective date.

The 2007 Plan is administered by the Company's compensation committee made up of three non-executive directors. The compensation committee may determine the specific terms and conditions of all awards granted under the 2007 Plan, including, without limitation, the number of shares subject to each award, the price to be paid for the shares and the vesting criteria, if any. The compensation committee has discretion to make all determinations necessary or advisable for the administration of the 2007 Plan.

9. EQUITY (Continued)

Stock Incentive Plan (Continued)

There were 18,500,000 incentive stock options granted under the 2007 Plan during the year ended August 31, 2012.

10. STOCK OPTIONS AND WARRANTS

Stock Options

On January 12, 2012, the Company granted options under the 2007 Plan to three of the Company's officers to purchase 4,000,000 common shares each for a total of 12,000,000 common shares at $0.31 per share in accordance with the Executive Employment Agreements. Options to purchase shares are vested upon achieving certain milestones under the Executive Employment Agreements. All options vest upon a change of control of the Company. The options expire on January 12, 2017. As of August 31, 2012, there were 1,500,000 options that were vested and presently exercisable. The fair value of such vested options using the Black-Scholes option pricing model amounted to $404,121. No options were exercised as of August 31, 2012.

On March 15, 2012, the Company granted options under the 2007 Plan to two officers of the Company to purchase 2,000,000 common shares at $0.31 per share in accordance with Executive Employment Agreements. Options to purchase shares are vested upon achieving certain milestones under the Executive Employment Agreement. All options vest upon a change of control of the Company. The options expire on March 15, 2017. As of August 31, 2012, there were 250,000 options that were vested and presently exercisable. The fair value of such vested options using the Black-Scholes option pricing model amounted to $57,374. No options were exercised as of August 31, 2012.

On March 15, 2012, the Company granted options under the 2007 Plan to two employees to purchase 4,500,000 common shares at $0.31 per share in accordance with Executive Employment Agreements. Options to purchase shares are vested upon achieving certain milestones under the Executive Employment Agreement. All options vest upon a change of control of the Company. The options expire on March 15, 2017. As of August 31, 2012, there were 812,500 options that were vested and presently exercisable. The fair value of such vested options using the Black-Scholes option pricing model amounted to $186,466. No options were exercised as of August 31, 2012.

In addition to the aforementioned stock options issued during the year ended August 31, 2012, the Company has options outstanding to three of the Company's officers to purchase 6,000,000 common shares each for a total of 18,000,000 common shares at $0.33 per share in accordance with Stock Option Agreements. Options to purchase shares are vested upon the Company achieving a certain number of customers. All options vest upon a change of control of the Company. The options expire 10 years from the vested date. As of August 31, 2012, there were no options that were vested and presently exercisable.

10. STOCK OPTIONS AND WARRANTS (Continued)

Warrants

On December 17, 2010, the Company issued “Series S” warrants to the Silicon Valley Bank loan personal guarantor to purchase 3,600,000 common shares at $0.20 per share in connection with the Financing Agreement dated December 1, 2010. The warrants expire on December 14, 2015. The fair value of the warrants using the Black-Scholes option pricing model amounted to $926,900. No warrants were exercised as of August 31, 2012.

On December 17, 2010, the Company issued “Series S” warrants to a consultant to purchase 500,000 common shares at $0.20 per share for finder’s fees in connection with a debt issuance. The warrants expire on December 14, 2015. The fair value of the warrants using the Black-Scholes option pricing model amounted to $128,736. No warrants were exercised as of August 31, 2012.

On July 29, 2011, the Company issued "Series T" warrants to purchase 1,787,500 common shares at $0.20 per share to placement agents in connection with the private placement. The warrants expire on July 29, 2016. The fair value of the warrants using the Black-Scholes option pricing model amounted to $837,664. There were 110,000 warrants exercised as of August 31, 2012 (see Note 9).

On August 31, 2011, the Company issued “Series U” warrants to Silicon Valley Bank to purchase 300,000 common shares at $0.20 per share in connection with the private placement success fee. The warrants expire on July 29, 2016. The fair value of the warrants using the Black-Scholes option pricing model amounted to $140,587. No warrants were exercised as of August 31, 2012.

On March 1, 2012, the Company issued “Series X” warrants to a consultant to purchase 57,692 common shares at $0.26 per share for marketing and promotional services provided to the Company. The warrants expire on March 1, 2015. The fair value of the warrants using the Black-Scholes option pricing model amounted to $3,761. No warrants were exercised as of August 31, 2012.

On March 16, 2012, the Company issued “Series V” warrants to JMJ Financial to purchase 869,565 common shares at $0.23 per share for cash proceeds of $200,000 under a Stock Purchase Agreement. The warrants expire on March 16, 2017. No warrants were exercised as of August 31, 2012.

10. STOCK OPTIONS AND WARRANTS (Continued)

Warrants (Continued)

On May 1, 2012, the Company issued "Series W" warrants to JMJ Financial to purchase 1,086,957 common shares at $0.23 per share for cash proceeds of $250,000 under a Stock Purchase Agreement. The warrants expire on May 1, 2017. No warrants were exercised as of August 31, 2012.

In addition to the above, at August 31, 2012, the Company had the following warrants outstanding:

Series	Number of Shares	Exercise Price	Expiration
C	120,000	$2.00	6/2/2013
N	32,468	$0.88	9/14/2012
O	68,671	$0.77	9/15/2012
P	410,448	$0.67	11/24/2012
Q	20,000	$0.75	11/2/2012
R	215,000	$0.68	12/16/2014

11. PROVISION FOR INCOME TAXES

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences arise from the difference between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates on the date of enactment.

The Company did not provide any current or deferred U.S. federal income taxes or benefits for any of the periods presented because the Company has experienced operating losses since inception. The Company provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carry forwards, because management has determined that it is more likely than not that we will not earn sufficient income to realize the deferred tax assets during the carry forward period.

11. PROVISION FOR INCOME TAXES (Continued)

The components of the Company's deferred tax asset as of August 31, 2012 and 2011, are as follows:

	August 31, 2012	August 31, 2011
Net operating loss carry forward and deductible temporary differences	$ 14,762,000	11,152,000
Valuation allowance	(14,762,000)	$ (11,152,000)
Net deferred tax asset	$ -	$ -

A reconciliation of the combined federal and state statutory income taxes rate and the effective rate is as follows:

	August 31, 2012	August 31, 2011
Federal tax at statutory rate	34.00%	34.00%
State income tax net of federal benefit	5.83%	5.83%
Valuation allowance	(39.83%)	(39.83%)
	-	-

The Company's valuation allowance increased by $3,610,000 for the year ended August 31, 2012.

As of August 31, 2012, the Company had federal and state net operating loss carryforwards of approximately $37,063,000 which can be used to offset future federal income tax. The federal and state net operating loss carryforwards expire at various dates through 2032. Deferred tax assets resulting from the net operating losses are reduced by a valuation allowance, when, in the opinion of management, utilization is not reasonably assured. These carryforwards may be limited upon a change in ownership or consummation of a business combination under IRC Sections 381 and 382.

As of August 31, 2012 and 2011, no accrued interest and penalties are recorded relating to uncertain tax positions. Any such interest and penalties would be included in interest expense as a component of pre-tax net income or loss. The Company's tax filings are no longer open to examination by the Internal Revenue Service for tax years prior to 2008 and by state taxing authorities for tax years prior to 2007.

12. SUBSEQUENT EVENTS

On September 7, 2012, the Company issued 750,000 shares of common stock to a consultant for business development services valued at $172,500 on the award date.

On September 10, 2012, the Company entered into an unsecured convertible promissory note agreement with a board member for $200,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 30, 2013. 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 the Company's common stock on the basis of $0.20 per share. In addition, on November 28, 2012, the Company issued 400,000 shares of common stock valued at $88,000 on the award date in connection with this debt issuance.

On September 11, 2012, the Company issued 360,000 shares of common stock for the partial conversion of a promissory note amounting to $57,773.

On September 16, 2012, the Company did not extend the due date of the $555,000 Promissory Note Agreement with JMJ Financial. As such, the Company is in default in the payment of the principal and unpaid accrued interest and the note holder is able to convert unpaid principal and accrued interest into shares of the Company's common stock.

On September 27, 2012, the Company issued 500,000 shares of common stock for the partial conversion of a promissory note amounting to $65,320.

On October 15, 2012, the Company issued a "Series Y" warrant to purchase 500,000 common shares at $0.20 per share to a consultant in exchange for accounting advisory services provided to the Company. The warrant expires on October 15, 2017. The fair value of the warrants using the Black-Scholes option pricing model amounted to $99,873.

On October 31, 2012, the Company issued 628,465 shares of common stock for the partial conversion of a promissory note and accrued interest amounting to $85,471.

On November 1, 2012, the Company did not extend the due date of the $550,000 promissory note agreement with JMJ Financial. As such, the Company is in default in the payment of the principal and unpaid accrued interest and the note holder is able to convert unpaid principal and accrued interest into shares of the Company's common stock.

12. SUBSEQUENT EVENTS (Continued)

On November 1, 2012, the Company entered into two unsecured convertible promissory note agreements with two board members for $150,000. Under the terms of the promissory note agreements, principal and any unpaid interest shall be repaid by November 1, 2013. The notes bear interest at 10% per annum. At the option of the note holders, the notes may be converted, in whole or in part, into shares of the Company's common stock on the basis of $0.20 per share. In addition, on November 28, 2012, the Company issued 150,000 shares of common stock valued at $25,500 on the award date in connection with this debt issuance.

On November 7, 2012, the Company issued 500,000 shares of common stock to a consultant for business development services valued at $105,000 on the award date.

On November 19, 2012, but effective as of October 5, 2012, the Company entered into a Fourth Amendment to Loan and Security Agreement ("Fourth Amendment") with Silicon Valley Bank for the $1,000,000 line of credit to extend the maturity date to October 5, 2013, to amend the interest rate and to waive existing and pending defaults for failing to comply with certain financial covenants.

On November 28, 2012, the Company issued 200,000 shares of common stock to four of the Company's directors in exchange for serving on the board of directors. The shares were valued at $42,000, which represents the fair market value of the services provided on the award date.

On November 28, 2012, the Company issued 50,000 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $7,500, which represents the fair market value of the services provided on the award date.

On November 28, 2012, the Company entered into a Securities Purchase Agreement and related Secured Convertible Promissory Note ("Note") for $1,000,000. Under the terms of the Note, $1,000,000 of principal and unpaid interest shall be repaid by April 13, 2013. The note bears interest at 8% per annum. At the option of the note holder, the note may be converted, in whole or in part, into shares of the Company's common stock on the basis of $0.20 per share. In addition, the Company agreed to issue 500,000 shares of common stock valued at $75,000 on the award date in connection with this debt issuance.

13. RESTATEMENT

The Company's consolidated financial statements for the year ended August 31, 2012, were amended to restate revenue and cost of revenue for PocketFinder® devices sold to our main distributor due to an accounting error and change in accounting policy. We originally reported device sales revenue from the sales of PocketFinder® products upon delivery to distributors. Reductions to revenue for product held at distributors were recognized as deferred revenue until product was "sold through" to retailers. We reevaluated the factors that we used to determine revenue recognition for devices sold to our main distributor and concluded that it was appropriate to restate revenue and cost of revenue for year ended August 31, 2012. Other related accounts affected include allowance for sales returns, deferred revenue, inventory purchase commitment, device revenue and cost of revenue.

	As Reported	Difference	As Restated
Consolidated Balance Sheet			
Accounts receivable, net	$ 222,616	$ (34,343)	$ 188,273
Total current assets	2,769,051	(34,343)	2,734,708
Total assets	5,521,641	(34,343)	5,487,298
Deferred revenue	401,941	(385,402)	16,539
Inventory purchase commitment	430,700	(382,646)	48,054
Total liabilities	6,183,207	(768,048)	5,415,159
Accumulated deficit	(45,748,820)	733,705	(45,015,115)
Total stockholders' equity (deficit)	(661,566)	733,705	72,139
Total liabilities and stockholder's equity (deficit)	5,521,641	(34,343)	5,487,298
Consolidated Statement of Operations			
Net revenue - devices	483,966	351,059	835,025
Total net revenue	597,051	351,059	948,110
Cost of revenue - other	1,752,981	(382,646)	1,370,335
Total cost of revenue	2,486,709	(382,646)	2,104,063
Gross loss	(1,889,658)	(733,705)	(1,155,953)
Net loss	(8,697,190)	(733,705)	(7,963,485)
Consolidated Statement of Cash Flows			
Net loss	(8,697,190)	(733,705)	(7,963,485)
Recognition of loss on inventory purchase commitment	(254,800)	(382,646)	(637,446)
Change in accounts receivable	(222,616)	(34,343)	(188,273)
Change in deferred revenue	401,941	(385,402)	16,539

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were not effective as of August 31, 2012, due to the material weaknesses resulting from a lack of segregation of duties in our accounting department and a limited corporate governance structure.

Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance, not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

As required by Rule 13a-15(c) promulgated under the Exchange Act, our management, with the participation of our Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of August 31, 2012. Management's assessment was based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control over Financial Reporting —Guidance for Smaller Public Companies. In performing the assessment, management has concluded that there is a material weakness in internal control over financial reporting. Due to the limited number of staff resources, we believe there are instances where a lack of segregation of duties exists to provide effective controls.

As a result of this weakness, our internal control over financial reporting is not effective. The weakness and its related risks are not uncommon in a company of our size because of the limitations in size and number of staff. We believe that we have taken initial steps to mitigate these risks by consulting outside advisors. However, this weakness in internal controls over financial reporting could result in a more than remote likelihood that a material misstatement would not be prevented or detected.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm because we are not an accelerated filer or a large accelerated filer.

Changes in Internal Control Over Financial Reporting. There were no other significant changes in our internal control over financial reporting during the year ended August 31, 2012, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION.

Board of Directors

On October 25, 2011, the Board of Directors increased the number of directors from three to seven and appointed Greggory Haugen, Charles “Chuck” Smith, David Meyers and Ronald Warner to the Company’s Board of Directors. On December 2, 2011 the Board of Directors created Audit, Compensation and Governance & Nominating Committees and appointed the directors to these committees, as follows, and appointed Greggory Haugen as Lead Director.

Compensation Committee: Chuck Smith – Chair, Ron Warner, David Meyers

Audit Committee: David Meyers – Chair, Ron Warner, Chuck Smith

Governance & Nominating Committee: Ronald Warner – Chair, Chuck Smith, David Meyers

Appointment of Chief Financial Officer

On March 16, 2012, we appointed Kenneth Eric Fronk to serve as our Chief Financial Officer (“CFO”). We entered into an Executive Employment Agreement whereby Mr. Fronk will serve as our CFO for an employment term of five years for monthly compensation of $8,000 and 1,000,000 options to purchase common stock at $0.31 per share. Options vest upon achieving certain performance conditions.

Mr. Fronk has extensive experience as a CFO of young, public and private companies. Prior to joining LBT, Mr. Fronk held various executive management positions in industries including manufacturing and distribution, software development, and bio-tech. Most recently, he served as CFO of Digital Interactive Systems, a manufacturing, distribution, and services company. Prior to that, Mr. Fronk was part of a team that prepared AlphtecSpine Inc. for its IPO occurring in 2006. From 2002 to 2005, Mr. Fronk was part of a team that lead the restructure and turnaround of Peregrine Systems Corp, a previously bankrupt software development company. The team successfully guided Peregrine Systems out of bankruptcy and ultimately sold the software to Hewlett-Packard in late 2005. Mr. Fronk began his career with Ernst and Young and PricewaterhouseCoopers, where he spent eight years working primarily in high-tech and pharmaceutical industries. Mr. Fronk earned a Bachelor of Science in Accounting from Brigham Young University and received a Master in Business Administration from the University of Southern California. He is a certified public accountant (inactive license).

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors. Our directors are elected by the stockholders for a term of one year and serve until successors are elected and qualified. Officers hold their positions at the pleasure of our board of directors, subject to employment contracts. Each of our executive officers serves pursuant to employment contracts. See "Item 11, Executive Compensation – Employment Contracts."

The following table sets forth information regarding our executive officer and directors.

Name	Age	Position
David M. Morse	59	Co-President and Chief Executive Officer and Director
Joseph F. Scalisi	49	Co-President and Chief Development Officer
Desiree Mejia	41	Chief Operating Officer, Secretary and Director
Kenneth E. Fronk	47	Chief Financial Officer
Gregory Gaines	59	Chief Marketing and Sales Officer
Greggory S. Haugen	49	Director
David L. Meyers	67	Director
Charles H. Smith	69	Director
Ronald Warner	68	Director

Dr. Morse has served as Co-President, Chief Executive Officer and Chairman of the Board of Directors since October 8, 2007. From late 2001 to 2005, Dr. Morse was involved in several start-up ventures providing consulting services (People Basics from August 2001 to April 2002 and ESP Networks from April 2002 to July 2004). In September 2005, he joined with Joseph Scalisi and Desiree Mejia to incorporate Location Based Technologies, Corp. ("Old LBT") (formerly known as PocketFinder, Inc.), which we acquired in October 2007. Old LBT had been formed to develop the PocketFinder personal locators. Dr. Morse brings 20 years of executive-level experience to us. The majority of his career focused on the consumer market, leading him to serve as Vice President of Consumer Billing Services for Pacific Bell from 2000 to 2001. His passion for customer service led to his appointment as Chief Customer Officer for Pacific Bell from 1997 to 2000 where he worked directly with the Chairman and the Executive Committee to establish the alignment of corporate strategy and process management objectives. Prior to Pacific Bell, he served as Vice President of Sales and Service for SBC, now AT&T, the second largest telecommunications company in the United States, from 1991 to 1997. While at SBC, he led an organization of more than 4,000 employees in 23 locations, serving 7,000,000 households. Subsequent to leading the consumer organization, he served as Vice President of Product Marketing responsible for SBC's core billing product.

Dr. Morse received a PhD in Organizational Behavior from Columbia Pacific University, a Master of Arts degree in Psychology from the University of Northern Colorado and a Bachelor of Science degree from Brigham Young University.

Dr. Morse has given keynote addresses on education and business management to several organizations and lectured at University of California at Berkeley, University of California at Davis, University of California at Los Angeles and Massachusetts Institute of Technology. He also serves as Chair for the University of California's Board focused on Mathematics, Engineering, and Science Achievement (MESA).

Mr. Scalisi has served as Co-President, Chief Development Officer and a director since October 11, 2007. Prior to becoming our Co-President and Chief Development Officer, Mr. Scalisi was an officer of our predecessor company, PocketFinder, Inc. from 2004 to 2007. As co-founder, Mr. Scalisi designed the first generation PocketFinder device. With vast knowledge of the communications industry, including expertise in patents and trademarks, Mr. Scalisi is responsible for filing intellectual property applications, architecting the PocketFinder design team (interactive voice recognition ("IVR"), mapping interface, man-machine user interface, and hardware design) and participates in the negotiation of contracts. Mr. Scalisi is married to Mrs. Mejia.

Prior to becoming involved with the PocketFinder device, Mr. Scalisi was employed by ESP Networks from February 2000 to November 2004 doing wireless development for a restricted use cellular phone with an automated pager system.

Mr. Scalisi has received 26 domestic issued patents along with four international patents. He is currently working on 16 additional patent applications filed over the past several years. He attended Fullerton College.

Mrs. Mejia has served as Chief Operating Officer, Secretary and a director since October 11, 2007. As a co-founder, Mrs. Mejia is responsible for running the day-to-day operations and oversees the Accounting and Marketing departments. Mrs. Mejia is married to Mr. Scalisi.

Mrs. Mejia developed the PocketFinder concept after realizing that a true need exists to "see" your children even when you can't be with them. With co-founder Joseph Scalisi, Mrs. Mejia took the concept of using a GSM/GPRS tracking platform, combining it with a mapping service and creating a revolutionary tracking system. Thus the PocketFinder system was born.

Prior to becoming our Chief Operating Officer in 2007, Mrs. Mejia was the Chief Operating officer for our predecessor company, PocketFinder, Inc. from 2004 to 2007. Previously, Mrs. Mejia worked for ESP Networks from December 2000 through November 2004. Prior to December 2000, Mrs. Mejia worked with venture capital firms to help raise funds for the technology sector. She also consulted with a wireless manufacturing company to assist with the launch of a new wireless device. Prior to this, Mrs. Mejia worked with Deloitte and Touche, LLP where she specialized in the technology and telecommunications field. Previously, Mrs. Mejia acted as the head researcher and assistant to the Chairman at MESA Research, whose clients included AT&T, Motorola, Nortel, 3Com and Phillips. She has a Bachelor of Arts degree in Sociology from California State University, Dominguez Hills, California.

Mr. Fronk joined the company as the Chief Financial Officer in March 2012. He brings extensive experience to LBT having been the CFO of young, public and private companies. Prior to joining LBT, Mr. Fronk held various executive management positions in industries including manufacturing and distribution, software development, and bio-tech. Most recently, he served as CFO of Digital Interactive Systems, a manufacturing, distribution, and services company. Prior to that, he was part of a team that prepared AlphtecSpine Inc. for its IPO – occurring in 2006. From 2002-2005, Mr. Fronk participated on the team that led the restructure and turnaround of Peregrine Systems Corp, a previously bankrupt software development company. The team successfully guided Peregrine Systems out of bankruptcy and ultimately sold the software to Hewlett-Packard in late 2005. Mr. Fronk began his career with Ernst and Young and PricewaterhouseCoopers, where he spent eight years working primarily in high-tech and pharmaceutical industries.

Mr. Gaines joined us as Chief Marketing and Sales Officer in October 2011. He brings to us many years of significant global, technology based marketing and sales experience as well as startup entrepreneurship. His international experience includes serving Powerwave Technologies, Inc.as its Vice President of Sales and Marketing for the Americas and Asia from November 2004 before being promoted to Vice President for Global Sales and Marketing until January 2007. Prior to joining Powerwave, Mr. Gaines held various strategic account management positions at Intel Corporation from 2000 to 2004, ultimately corporate Worldwide Alliance Director. From 1998 to 2000, Mr. Gaines was senior marketing manager for Compaq Computer Corporation and before Compaq, Mr. Gaines held various managerial positions in marketing, manufacturing and engineering with Digital Equipment Corporation over an 18 year span.

Mr. Haugen was elected as a director in October 2011. He has been an active financier since 1990, leading teams investing over $5 billion in various companies and portfolios of distressed consumer, real estate and residential assets in the U.S. and internationally. Mr. Haugen was a founding Senior Partner of CarVal Investors, a Value Fund with more than $10 billion in assets under management when he left in 2008. Since that time, Mr. Haugen has invested in and provided consulting advice to several early stage companies, including the company. Mr. Haugen currently serves on the Board of Capital Partners Funding Group, Inc., a U.S. business and financial consulting company whose mission is to provide clients with long term capital funding solutions using very sophisticated financial programs that utilize various tax advantaged insurance products. Mr. Haugen received his Masters of Management from the J.L Kellogg Graduate School of Management at Northwestern University in 1990 with concentrations in Finance, Marketing, International Business and Organizational Behavior. Prior to graduate school, Mr. Haugen was a Senior Accountant with KPMG Peat Marwick in Minneapolis after obtaining his Bachelor of Science in Business Administration at Boston University in 1985.

Mr. Meyers was elected as a director in October 2011. He is the former Executive Vice President and Chief Financial Officer for Del Monte Foods, Inc. Mr. Meyers is an entrepreneurial general manager with over 35 years of senior management experience in the consumer products industry. His experience includes both international and domestic leadership focused on achieving high growth and low cost development of operations. He has extensive experience in corporate and operations finance, business development, strategy, global acquisitions, divestitures, and mergers. His strong knowledge of capital markets and creative financing instruments consistently resulted in optimal capital structures. Mr. Meyers served on the Board of Smart & Final and was Chair of the Audit Committee prior to its sale. He is currently on the Board of Foster Dairy Farms and Chair of its Audit Committee and also on the Board of Bay Grove Capital.

Mr. Smith was elected as a director in October 2011. He is the former President and Chief Executive Officer of SBC West, now AT&T and formerly SBC Pacific Bell/SBC Nevada Bell, overseeing more than 50,000 employees who delivered telecom products and services to that company's millions of business and consumer customers in California and Nevada. Mr. Smith joined Pacific Bell in 1967 after graduating from California State University at Los Angeles with a Bachelor's Degree in Social Science with additional graduate course work and spent his more than 30 year telecom career predominantly in Operations and Executive Management positions. In 1985 he completed a graduate program for executives at Carnegie Mellon University. Mr. Smith was named the forth Alfred North Whitehead Distinguished Lecturer in Lifelong Learning at the University of Redlands. Additionally, Mr. Smith was Vice Chair of the Board for USC's Center for Telecommunications Management. He remains actively involved as an advisor for numerous business, educational, and community support boards and agencies. Currently Mr. Smith is Vice Chairman of the Board of the University of San Francisco and has also received honorary doctorate degrees from Menlo College and Holy Names College.

Mr. Warner was elected as a director in October 2011. He has been in the private practice of law since 1968. Since July 2003 he has been a senior corporate lawyer in the law firm of Locke Lord LLP. Mr. Warner's practice concentrates on mergers and acquisitions, financings (from emerging growth financing through large multi-national public offerings) and international joint venture and collaborative arrangements. Mr. Warner currently serves on the Board of Directors of Senetas Pty. Ltd., an Australian public company that designs and distributes encryption products world-wide, Radiance Rewards. LLC., a privately held company that offers a health and fitness rewards and social network platform for businesses, and Elite Interactive Solutions, Inc., a privately held company that offers security monitoring and services for business facilities. He also serves on the advisory boards of several technology and services companies in the United States and other countries, and has been involved as a principal in a few operating businesses. Mr. Warner received his Juris Doctor degree with honors from the New York University School of Law after obtaining his Bachelor of Arts degree from Tulane University.

Other Persons Expected to Make Significant Contributions. *Tina Florance, CPA,* provides us with accounting and financial advisory services. She oversees our accounting group and is responsible for all of our SEC filing and reporting requirements.

Code of Ethics. We have adopted a Code of Ethics (the "Code") that applies to our directors, officers and employees, including our principal executive officer and principal financial and accounting officer, respectively. A written copy of the Code is available on written request to us.

Compliance with Section 16(a) of the Exchange Act. We do not have a class of equity securities registered under Section 12 of the Securities Exchange Act of 1934, as amended. Hence, compliance by our officers and directors with Section 16(a) of that Act is not required.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table. The table set forth below summarizes the compensation payable to our executive officers during the years ending August 31, 2012 and 2011 for services in all capacities. Those listed in the table received no cash bonuses, non-equity incentive plan compensation or nonqualified deferred compensation earnings during those two fiscal years.

Summary Compensation Table

Name and Principal Position	Fiscal Year Ended 8/31	Salary ($)		Stock Awards ($)	Option Awards ($)	Total ($)	
David M. Morse(1)	2012	180,000	(6)	-	134,707	314,707	(6)
	2011	180,000	(6)	-	-	180,000	(6)
Joseph F. Scalisi(2)	2012	180,000	(7)	-	134,707	314,707	(7)
	2011	180,000	(7)	-	-	180,000	(7)
Desiree Mejia(3)	2012	180,000	(8)	-	134,707	314,707	(8)
	2011	180,000	(8)	-	-	180,000	(8)
Kenneth E. Fronk(4)	2012	56,000	(9)	-	57,374	113,374	(9)
Gregory Gaines(5)	2012	138,738	(10)	36,000	-	174,738	(10)

(1) Co-President, Chief Executive Officer and Chairman of the Board
(2) Co-President, Chief Development Officer
(3) Chief Operating Officer, Secretary and Director
(4) Chief Financial Officer (effective March 16, 2012)
(5) Chief Marketing and Sales Officer (effective October 24, 2011)
(6) In 2012, $165,000 was paid and $15,000 was accrued for future payment. In 2011, $94,888 was paid and $85,112 was accrued for future payment.
(7) In 2012, $170,000 was paid and $10,000 was accrued for future payment. In 2011, $82,250 was paid and $97,750 was accrued for future payment.
(8) In 2012, $146,183 was paid and 33,817 was accrued for future payment. In 2011, $82,250 was paid and $97,750 was accrued for future payment.
(9) In 2012, $54,500 was paid and $1,500 was accrued for future payment.
(10) In 2012, $138,738 was paid and $0 was accrued for future payment.

Outstanding Equity Awards. The table below summarizes the outstanding equity awards to our executive officers as of August 31, 2012.

Outstanding Equity Awards at Fiscal Year-End

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
David Morse	-	6,000,000	$0.33/share	(1)
David Morse	500,000	3,500,000	$0.31/share	January 12, 2017
Joseph Scalisi	-	6,000,000	$0.33/share	(1)
Joseph Scalisi	500,000	3,500,000	$0.31/share	January 12, 2017
Desiree Mejia	-	6,000,000	$0.33/share	(1)
Desiree Mejia	500,000	3,500,000	$0.31/share	January 12, 2017
Kenneth E. Fronk	250,000	750,000	$0.31/share	January 12, 2017
Gregory Gaines	-	1,000,000	$0.31/share	January 12, 2017

(1) The options expire ten years from the date of performance goal achieved.

Compensatory Plans. On January 12, 2012, the board of directors adopted the Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan"). The aggregate number of shares of common stock that may be issued under the 2007 Plan is 20,000,000 and such shares are reserved for issuance out of the authorized but previously unissued shares. Employees, service providers and non-employee directors of the Company and its affiliates are eligible to receive non-statutory stock options, incentive stock options, restricted stock and stock appreciation rights. The 2007 Plan will continue until the earlier of the termination of the 2007 Plan by the board of directors or ten years after the effective date. The plan is administered by our board of directors which has the power, pursuant to the plan, to delegate the administration of the plan to a committee of the board. There are no other arrangements or plans in which we provide pension, retirement or similar benefits for our officers or directors.

Compensation of Directors. Directors are elected for a one-year term and receive a total of 100,000 shares of common stock as compensation. The first 50,000 shares of common stock are issued at the commencement of the service term and the remaining 50,000 shares of common stock are issued six months thereafter.

Employment Contracts. David Morse (Co-President and Chief Executive Officer), Joseph Scalisi (Co-President and Chief Development Officer) and Desiree Mejia (Chief Operating Officer), are each employed pursuant to written employment agreements with identical terms. The agreements were renewed on January 12, 2012 and expire in five years on January 12, 2017. Under the terms of the agreement, each officer is entitled to a base salary of $15,000 per month. Additional increases in increments of $5,000 or $10,000 per month are based on attaining certain numbers of subscribers and for successfully achieving cash flow in each country outside the U.S. He or she may participate in any general bonus plan established by the board of directors and is entitled to participate in our stock incentive plan on such terms as the board deems appropriate from time to time. He or she will also be entitled to participate in any and all benefits and perquisites as are generally provided for the benefit of executive employees. The agreements terminate on death, incapacity (after 180 days), resignation and cause as defined. If terminated without cause, he or she is entitled to base salary at least equal to the salary, including bonuses and commissions, of our highest paid employee, and medical benefits, through the end of the employment term or, if such termination occurs in the last year of the employment term, for a period of two years after the date of termination. If during that period any events occur that would have resulted in increasing his or her base salary, he or she is entitled to be paid such additional amounts.

Kenneth Fronk (Chief Financial Officer) is employed pursuant to a written employment agreement. The agreement was effective March 16, 2012 and expires on the fifth anniversary of the effective date; the term shall automatically be extended for additional one-year periods unless either party provides written notice to the contrary. Under the terms of the agreement, the officer is entitled to a base salary of $8,000 per month. Additional increases in increments of $1,500 per month are based on attaining certain numbers of activations and for achieving certain EBITDA results. He may participate in any general bonus plan established by the board of directors and is entitled to participate in our stock incentive plan on such terms as the board deems appropriate from time to time. He will also be entitled to participate in any and all benefits and perquisites as are generally provided for the benefit of executive employees. The agreement terminates on death, incapacity (after 180 days), resignation and cause as defined. If terminated without cause, he is entitled to base salary at least equal to the salary, including bonuses and commissions, of our highest paid employee, and medical benefits, through the end of the employment term or, if such termination occurs in the last year of the employment term, for a period of two years after the date of termination. If during that period any events occur that would have resulted in increasing his base salary, he is entitled to be paid such additional amounts.

Gregory Gaines (Chief Marketing and Sales Officer) is employed pursuant to a written employment agreement. The agreement was effective October 24, 2011 and expires on the first anniversary of the effective date; additional one-year periods may be extended upon mutual agreement. Under the terms of the agreement, the officer is entitled to a base salary of $13,500 per month. In addition, he is entitled to commissions based on achieving specific annual sales targets. He may participate in any general bonus plan established by the board of directors and is entitled to participate in our stock incentive plan on such terms as the board deems appropriate from time to time. He will also be entitled to participate in any and all benefits and perquisites as are generally provided for the benefit of executive employees. The agreement terminates on death, incapacity (after 60 days), resignation and cause as defined. If terminated without cause, he is entitled to severance pay.

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

Beneficial Ownership of Certain Owners and Management. The following table sets forth information regarding the number of shares of our common stock beneficially owned on November 16, 2012 by:

- Each person, or group of affiliated persons, who is known to us to be the beneficial owner of more than 5% of our outstanding common stock;
- Each of our executive officers and directors; and
- All of our directors and executive officers as a group.

For this table, beneficial ownership of our common stock is determined in accordance with the rules of the Securities and Exchange Commission and includes any shares of common stock over which a person exercises sole or shared voting or investment power, or of which a person has a right to acquire ownership through the exercise of an option, warrant or right or the conversion of a security at any time within 60 days of November 16, 2012. Subject to any applicable community property laws, the persons or entities named in the table below have sole voting and investment power with respect to all shares indicated as beneficially owned by them. Unless otherwise indicated, the address of the beneficial owners is 49 Discovery, Suite 260, Irvine, California 92618.

	Shares of Common Stock Beneficially Owned(1)	
Name of Beneficial Owner	**Number**	**Percent**
David M. Morse		
Co-President, Chief Executive Officer and Chairman of the Board	17,384,199	8.7%
Joseph F. Scalisi (2)		
Co-President, Chief Development Officer and Director	12,268,521	6.1%
Desiree Mejia(2)		
Chief Operating Officer, Principal Financial Officer, Secretary and Director	12,268,521	6.1%
Kenneth Fronk, Chief Financial Officer	-	-
Greggory Gaines, Chief Marketing and Sales Officer	100,000	-
Greggory S. Haugen, Director (3)	7,947,288	4.0%
David L. Meyers, Director	100,000	-
Charles H. Smith, Director	50,000	-
Ronald Warner, Director	100,000	-
All executive officers and directors as a group (1)	50,218,529	25.0%

(1) Applicable percentage ownership is based on 200,599,622 shares of common stock outstanding as of November 16, 2012, provided that any shares of common stock not outstanding which are subject to options, warrants, rights or conversion privileges are deemed to be outstanding for the purpose of computing the percentage of outstanding shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person.

(2) Mr. Scalisi and Mrs. Mejia are married and, by virtue of community property laws or otherwise, each may have an interest in the shares reported by the other.

(3) The shares of common stock beneficially owned by Mr. Haugen do not include 1,650,000 shares owned by the Haugen Children 2006 Trust. Mr. Haugen disclaims beneficial ownership of said shares.

Securities Authorized for Issuance Under Equity Compensation Plans. The following table provides information with respect to outstanding options and warrants as of November 16, 2012, pursuant to compensation plans (including individual compensation arrangements) under which equity securities of are authorized for issuance.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders		--	--
Equity compensation plans not approved by security holders	20,000,000(1)	$0.31	1,500,000
Total	20,000,000		1,500,000

(1) Includes stock options granted under the Amended and Restated 2007 Stock Incentive Plan to officers Mr. Morse, Mr. Scalisi, Mrs. Mejia, Mr. Gaines and Mr. Fronk to purchase up to 14,000,000 shares of common stock and to two employees to purchase 4,500,000 shares of common stock at $0.31 per share. Options vest upon reaching certain milestones contained in executive employment agreements. All such options vest upon a change of control. The options expire January 12, 2017.

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

Related Party Transactions. The following are the related party transactions in which we have engaged since September 1, 2011.

For a description of transactions involving Mr. Greggory S. Haugen, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources." Mr. Haugen was elected a director in October 2011.

From time to time, the Company's officers advance funding to the Company to cover operating expenses. Cash advances from officers accrue interest at the rate of 8% per annum and have no formal repayment terms.

During the year ended August 31, 2012, there were no new advances from Joseph Scalisi, our Co-President and Chief Development Officer and stockholder, and repayments on advances totaled $9,423. Outstanding advances from Mr. Scalisi amounted to $0 as of August 31, 2012.

During the year ended August 31, 2012, $55 of interest was accrued and $94 of interest was paid on officer advances from Mr. Scalisi. Accrued interest on officer advances from Mr. Scalisi amounted to $0 as of August 31, 2012.

Debra Mejia provides bookkeeping and accounting services to us for $3,000 per month. Mrs. Mejia is a relative of Desiree Mejia, Chief Operating Officer. During the year ended August 31, 2012, bookkeeping and accounting fees to Mrs. Mejia totaled $32,150.

On March 15, 2012, we entered into an Executive Employment Agreement with David Morse, Jr. to act as Vice President of Customer Service. Mr. Morse is a relative of David Morse, our Chief Executive Officer and Co-President. Under the terms of the Executive Employment Agreement, Mr. Morse is paid compensation of $12,500 plus sales commissions and is entitled to earn up to 1,500,000 stock options that vest upon achieving certain milestones. During the year ended August 31, 2012, total cash compensation and stock compensation paid to Mr. Morse totaled $134,575 and $18,000, respectively. In addition, there were 62,500 stock options that vested during the year ended August 31, 2012 valued at $14,344.

In July 2012, Joseph Scalisi, our Co-President and Chief Development Officer and stockholder, entered into a Subscription Agreement with West Coast Customs ("WCC") to acquire an approximate 1.5% ownership of WCC. We are under a Manufacturing and Trademark License Agreement with WCC for co-branding of the PocketFinder products.

On August 30, 2012, the Company entered into an unsecured convertible promissory note agreement with Greggory Haugen, a board member, for $200,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 30, 2013. 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 our common stock on the basis of $0.20 per share.

On September 10, 2012, the Company entered into an unsecured convertible promissory note agreement with Greggory Haugen, a board member, for $200,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 30, 2013. 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 our common stock on the basis of $0.20 per share.

On November 1, 2012, the Company entered into an unsecured convertible promissory note agreement with Dave Meyers, a board member, for $100,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by November 1, 2013. 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 our common stock on the basis of $0.20 per share.

On November 1, 2012, the Company entered into an unsecured convertible promissory note agreement with Charles Smith, a board member, for $50,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by November 1, 2013. 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 our common stock on the basis of $0.20 per share.

Director Independence. Our board of directors has determined that the following directors are “independent directors” as defined by the rules of The NASDAQ Stock Market (“NASDAQ”): Messrs. Meyers, Smith and Warner. Although our common stock is not listed on NASDAQ, the board uses the definition of independence from the NASDAQ listing standards to assess independence of our directors. Under applicable SEC and NASDAQ rules, the existence of certain “related-party” transactions above certain thresholds between a director and us are required to be disclosed and preclude a finding by the board that the director is independent.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Comiskey & Company served as our independent registered public accounting firm for the fiscal years ended August 31, 2012 and 2011. The following table represents the fees billed to us for the audit and other services provided by our accountants:

	2012	2011
Audit fees	$ 58,855	$ 56,112
Tax fees	4,000	5,038
All other fees	-	4,705
Total Fees	$ 62,855	$ 65,855

Audit Fees. This category includes the annual audit of our consolidated financial statements included in our Annual Report on Form 10-K and the quarterly reviews of our consolidated financial statements included in our Form 10-Qs. This category also includes advice on accounting matters that is normally provided by the accountant in connection with statutory and regulatory filings.

Tax Fees. These fees relate to the preparation and review of tax returns, tax planning and tax advisory services.

All Other Fees. This category includes advisory fees related to the filing of our registration statement on Form S-1.

Pre-Approval Policies and Procedures. Prior to engaging our accountants to perform a particular service, our board of directors obtains an estimate for the service to be performed. All of the services described above were approved by the board of directors in accordance with its procedures.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

See Part II, Item 8. Financial Statements and Supplementary Data

(a)(2) Financial Statement Schedules

Schedules have been omitted since they are not applicable, they are not required, or the information required to be set forth in the schedules is included in the Consolidated Financial Statements or Notes thereto.

(b) Exhibits

ITEM 6. EXHIBITS

Exhibit No.*	Document Description
3.1	Articles of Incorporation of Springbank Resources, Inc. (now known as Location Based Technologies, Inc.) (incorporated by reference from Exhibit 3.1 to the Registrant's Registration Statement on Form SB-2 (Registration No. 333-139395) filed December 15, 2006).
3.1A	Amended Articles of Incorporation, dated October 20, 2008 (incorporated by reference from Exhibit 3.1A to the Registrant's Form 10-KSB filed December 12, 2008).
3.2	Amended and Restated By-Laws of Location Based Technologies, Inc. (incorporated by reference from the Registrant's Current Report on Form 8-K filed January 4, 2008).
10.20	Securities Purchase Agreement between the Company and JMJ Financial dated May 1, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.21	Warrant Agreement between the Company and JMJ Financial dated May 1, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.22	Extension Agreement between the Company and Robert Ribciuc dated June 27, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.23	Promissory Note Agreement between the Company and Greggory Haugen dated September 10, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.24	Promissory Note Agreement between the Company and David Meyers dated November 1, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.25	Promissory Note Agreement between the Company and Charles Smith dated November 1, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.26	Fourth Amendment to Loan and Security Agreement between the Company and Silicon Valley Bank dated November 19, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.27	Amendment to "Warrant W" Agreement and "Warrant V" Agreement dated November 28, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.28	Securities Purchase Agreement between the Company and Bridge Loans, LLC dated November 28, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.29	Secured Convertible Promissory Note between the Company and Bridge Loans, LLC dated November 28, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.30	Security Agreement between the Company and Jess Turner III, Esq. dated November 28, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
10.31	Collateral Supplemental Agreement between the Company and Bridge Loans, LLC dated November 28, 2012. (incorporated by reference from the Registrant's Current Report on Form 8-K filed November 29, 2012).
21.1	Subsidiary of the Registrant - Location Based Technologies, Ltd. (an England and Wales private and limited company)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. †
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. †

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †

101.INS XBRL Instance Document **
101.SCH XBRL Taxonomy Extension Schema Document **
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document **
101.DEF XBRL Taxonomy Extension Definition Linkbase Document **
101.LAB XBRL Taxonomy Extension Label Linkbase Document **
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document **

---

* Management contract or compensatory plan

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto 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, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections

† Filed herewith

Signatures

In accordance with Section 13 or 15(d) of the Exchange Act, the company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOCATION BASED TECHNOLOGIES, INC.
(Registrant)

January 17, 2013	By:/s/ David M. Morse David M. Morse, Co-President and Chief Executive Officer

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

January 17, 2013	/s/ David M. Morse David M. Morse, Co-President, Chief Executive Officer and Director (Principal Executive Officer)
January 17, 2013	/s/ Desiree Mejia Desiree Mejia, Chief Operating Officer and Director (Principal Financial and Principal Accounting Officer)
January 17, 2013	/s/ Joseph Scalisi Joseph Scalisi, Co-President, Chief Technology Officer and Director
January 17, 2013	/s/ Greggory S. Haugen Greggory S. Haugen Director
January 17, 2013	/s/ David L. Meyers David L. Meyers Director
January 17, 2013	/s/ Charles H. Smith Charles H. Smith Director
January 17, 2013	/s/ Ronald Warner Ronald Warner Director

Supplemental Information to be Furnished with Reports Filed
Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act

1. No annual report to security holders covering the company's last fiscal year has been sent as of the date of this report.

2. No proxy statement, form of proxy, or other proxy soliciting material has been sent to any of the company's security holders with respect to any annual or other meeting of security holders.

3. If such report or proxy material is furnished to security holders subsequent to the filing of this Annual Report on Form 10-K, the company will furnish copies of such material to the Commission when it is sent to security holders.

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13(a)-14(a)/15(d)-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David M. Morse, certify that:

1. I have reviewed this Form 10-K of Location Based Technologies, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: January 17, 2013

By:/s/ David M. Morse
David M. Morse
Co- President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13(a)-14(a)/15(d)-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth Eric Fronk, certify that:

1. I have reviewed this Form 10-K of Location Based Technologies, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: January 17, 2013

By:/s/ Kenneth Eric Fronk
Kenneth Eric Fronk
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Morse, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Location Based Technologies, Inc. (the “Company”) on Form 10-K for the year ended August 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of the Company.

Date: January 17, 2013

By: /s/ David M. Morse
Name: David M. Morse
Co-President and Chief Executive Officer

I, Kenneth Eric Fronk, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Report of Location Based Technologies, Inc. (the “Company”) on Form 10-K/A for the year ended August 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of the Company.

Date: January 17, 2013

By: /s/ Kenneth Eric Fronk
Kenneth Eric Fronk
Chief Financial Officer

Note 10 - Stock Options and Warrants (Detail) - Summary of warrants outstanding:	12 Months Ended Aug. 31, 2012
Number of Shares	8,958,302
Warrant Series C [Member]	
Number of Shares	120,000
Exercise Price (in Dollars per Item) (in Dollars per Item)	2.00
Expiration	Dec. 31, 2013
Warrant Series N [Member]	
Number of Shares	32,468
Exercise Price (in Dollars per Item) (in Dollars per Item)	0.88
Expiration	Dec. 31, 2012
Warrant Series O [Member]	
Number of Shares	68,671
Exercise Price (in Dollars per Item) (in Dollars per Item)	0.77
Expiration	Dec. 31, 2012
Warrant Series P [Member]	
Number of Shares	410,448
Exercise Price (in Dollars per Item) (in Dollars per Item)	0.67
Expiration	Dec. 31, 2012
Warrant Series Q [Member]	
Number of Shares	20,000
Exercise Price (in Dollars per Item) (in Dollars per Item)	0.75
Expiration	Dec. 31, 2012
Warrant Series R [Member]	
Number of Shares	215,000
Exercise Price (in Dollars per Item) (in Dollars per Item)	0.68
Expiration	Dec. 31, 2014

Note 6 - Convertible Notes Payable (Detail) (USD $)	0 Months Ended	1 Months Ended						2 Months Ended	12 Months Ended										
	May 07, 2009	Aug. 31, 2012	Jul. 31, 2012	Aug. 20, 2009	Aug. 27, 2009	Jan. 30, 2009	Nov. 18, 2008	Dec. 31, 2007	Aug. 31, 2012	Aug. 31, 2011	Nov. 28, 2012	Nov. 01, 2012	Feb. 22, 2012	Jul. 31, 2011	Jun. 30, 2011	Jun. 28, 2011	Mar. 30, 2011	Jan. 05, 2011	Feb. 18, 2009
Secured Long-term Debt, Noncurrent							$ 625,000												
Debt Instrument Repayment Term Minimum	100,000																		1,500,000
Debt Instrument, Interest Rate, Stated Percentage	12.00%						12.00%				8.00%	10.00%				10.00%			
Stock Issued During Period, Shares, Other (in Shares)	50,000			25,000		50,000	50,000												
Common Stock, Value, Issued	32,000	135,461		20,500		47,000	55,000		135,461	129,170							42,500		
Debt Instrument, Convertible, Conversion Price (in Dollars per share)		$ 0.17	$ 0.22	$ 0.65	$ 0.65		$ 0.65		$ 0.17		$ 0.20	$ 0.20				$ 0.25			
Debt Instrument Convertible Conversion Market Value							0.82												
Debt Instrument, Convertible, Beneficial Conversion Feature				26,154			163,462		227,583	312,000									
Debt Instrument, Convertible, Interest Expense					52,603														
Debt Conversion, Converted Instrument, Shares Issued (in Shares)		250,000	350,000		80,927			15,726,000											
Share Price (in Dollars per share)				$ 0.82	$ 0.65					$ 0.20				$ 0.20	$ 0.20			$ 0.20	
Long-term Debt, Gross		625,000							625,000										
Interest Payable (in Dollars)		146,737							146,737										
Debt Conversion, Original Debt, Amount (in Dollars)		42,560			2,827			5,242,000											
Notes Payable (in Dollars)													100,000						
Debt Instrument, Decrease, Repayments																			
Debt Instrument, Face Amount											1,000,000					25,000			
Convertible Notes Payable																			
Securities Purchase Agreement											1,000,000								
Prepaid Interest																			
Class of Warrant or Right, Number of Securities Called by Warrants or Rights (in Shares)		8,958,302							8,958,302										
Long-term Debt, Maturities, Repayments of Principal in Next Twelve Months																			
Predetermined Conversion Amount Principal																			
Predetermined Conversion Amount Accrued Interest																			
Class of Warrant or Right, Exercise Price of Warrants or Rights (in Dollars per Item)																			
Repayments of Notes Payable									500,000	65,800									
Unsecured Convertible Promissory Note Agreement																			
Amortization of Financing Costs and Discounts																			

Note 6 - Convertible Notes Payable (Detail) (USD $)										12 Months Ended		12 Months Ended		1 Months Ended	0 Months Ended	1 Months Ended	7 Months Ended
	May 31, 2012 Interest Rate for Loan Extension 90 Days [Member] JMJ Financing [Member]	Mar. 16, 2012 Interest Rate for Loan Extension 90 Days [Member] JMJ Financing [Member]	May 31, 2012 Allocated to Purchase of Warrants [Member] JMJ Financing [Member]	Mar. 16, 2012 Allocated to Purchase of Warrants [Member] JMJ Financing [Member]	May 31, 2012 Allocated to Note [Member] JMJ Financing [Member]	Mar. 16, 2012 Allocated to Note [Member] JMJ Financing [Member]	Aug. 31, 2012 March 2012 [Member] JMJ Financing [Member]	Aug. 31, 2012 April 2012 [Member] JMJ Financing [Member]	Aug. 31, 2012 May 2012 [Member] JMJ Financing [Member]	Aug. 31, 2012 July 9, 2012 [Member] Unsecured Convertible Promissory Note 50,000 [Member]	Jul. 09, 2012 July 9, 2012 [Member] Unsecured Convertible Promissory Note 50,000 [Member]	Aug. 31, 2012 July 13, 2012 [Member] Unsecured Convertible Promissory Note 50,000 [Member]	Jul. 13, 2012 July 13, 2012 [Member] Unsecured Convertible Promissory Note 50,000 [Member]	Aug. 20, 2009 Senior Secured Promissory Note $100,000 Member	May 07, 2009 Senior Secured Promissory Note $100,000 Member	Aug. 27, 2009 Senior Secured Promissory Note $100,000 Member	Feb. 22, 2012 Senior Secured Promissory Note $100,000 Member
Secured Long-term Debt, Noncurrent																	
Debt Instrument Repayment Term Minimum															1,500,000		
Debt Instrument, Interest Rate, Stated Percentage	12.00%	12.00%									10.00%		10.00%				
Stock Issued During Period, Shares, Other (in Shares)														25,000	50,000		
Common Stock, Value, Issued														20,500	32,000		
Debt Instrument, Convertible, Conversion Price (in Dollars per share)											$ 0.30		$ 0.30				
Debt Instrument Convertible Conversion Market Value																	
Debt Instrument, Convertible, Beneficial Conversion Feature										18,333		16,667					
Debt Instrument, Convertible, Interest Expense																	
Debt Conversion, Converted Instrument, Shares Issued (in Shares)																4,350	
Share Price (in Dollars per share)											$ 0.41		$ 0.40				
Long-term Debt, Gross																	
Interest Payable (in Dollars)							66,600			740		685					
Debt Conversion, Original Debt, Amount (in Dollars)																	
Notes Payable (in Dollars)							555,000	189,964	550,000	34,379		35,616					
Debt Instrument, Decrease, Repayments																	21,352
Debt Instrument, Face Amount			250,000	200,000	250,000	300,000											
Convertible Notes Payable																	
Securities Purchase Agreement																	
Prepaid Interest								18,600	66,000								
Class of Warrant or Right, Number of Securities Called by Warrants or Rights (in Shares)																	
Long-term Debt, Maturities, Repayments of Principal in Next Twelve Months																	
Predetermined Conversion Amount Principal																	
Predetermined Conversion Amount Accrued Interest																	
Class of Warrant or Right, Exercise Price of Warrants or Rights (in Dollars per Item)																	
Repayments of Notes Payable																	
Unsecured Convertible Promissory Note Agreement											50,000		50,000				
Amortization of Financing Costs and Discounts										$ 2,712		$ 2,283					

Note 6 - Convertible Notes Payable (Detail) (USD $)		12 Months Ended				12 Months Ended		12 Months Ended		12 Months Ended		12 Months Ended		12 Months Ended
	May 31, 2012 May 1, 2012 [Member]	Aug. 31, 2012 JMJ Financing [Member]	May 31, 2012 JMJ Financing [Member]	Apr. 18, 2012 JMJ Financing [Member]	Mar. 16, 2012 JMJ Financing [Member]	Aug. 31, 2012 Unsecured Convertible Promissory Note 500,000 [Member]	Jun. 28, 2012 Unsecured Convertible Promissory Note 500,000 [Member]	Aug. 31, 2012 Unsecured Convertible Promissory Note 25,000 [Member]	Jul. 09, 2012 Unsecured Convertible Promissory Note 25,000 [Member]	Aug. 31, 2012 Unsecured Convertible Promissory Note 27,500 [Member]	Jul. 09, 2012 Unsecured Convertible Promissory Note 27,500 [Member]	Aug. 31, 2012 Unsecured Convertible Promissory Note 100,000 [Member]	Jul. 13, 2012 Unsecured Convertible Promissory Note 100,000 [Member]	Aug. 30, 2012 Unsecured Convertible Promissory Note 200,000 [Member]
Secured Long-term Debt, Noncurrent														
Debt Instrument Repayment Term Minimum														
Debt Instrument, Interest Rate, Stated Percentage							10.00%		10.00%		10.00%		10.00%	10.00%
Stock Issued During Period, Shares, Other (in Shares)														
Common Stock, Value, Issued														
Debt Instrument, Convertible, Conversion Price (in Dollars per share)							$ 0.30		$ 0.30		$ 0.30		$ 0.30	$ 0.20
Debt Instrument Convertible Conversion Market Value														
Debt Instrument, Convertible, Beneficial Conversion Feature						120,000		9,167		10,083		33,333		20,000
Debt Instrument, Convertible, Interest Expense														
Debt Conversion, Converted Instrument, Shares Issued (in Shares)		600,000												
Share Price (in Dollars per share)							$ 0.42		$ 0.41		$ 0.41		$ 0.40	$ 0.22
Long-term Debt, Gross														
Interest Payable (in Dollars)	2,925					5,342		370		407		1,370		55
Debt Conversion, Original Debt, Amount (in Dollars)		120,036												
Notes Payable (in Dollars)			550,000	620,000	555,000	201,370		17,189		18,908		71,233		180,110
Debt Instrument, Decrease, Repayments														
Debt Instrument, Face Amount			500,000	560,000	500,000									
Convertible Notes Payable	25,000													
Securities Purchase Agreement			500,000		500,000									
Prepaid Interest			50,000	60,000	55,000									
Class of Warrant or Right, Number of Securities Called by Warrants or Rights (in Shares)			1,086,957		869,565									
Long-term Debt, Maturities, Repayments of Principal in Next Twelve Months			550,000	620,000	555,000									
Predetermined Conversion Amount Principal			130.00%	130.00%	130.00%									
Predetermined Conversion Amount Accrued Interest			100.00%	100.00%	100.00%									
Class of Warrant or Right, Exercise Price of Warrants or Rights (in Dollars per Item)			0.23		0.23									
Repayments of Notes Payable		310,000												
Unsecured Convertible Promissory Note Agreement							300,000		25,000		27,500		100,000	200,000
Amortization of Financing Costs and Discounts						$ 21,370		$ 1,356		$ 1,492		$ 4,566		$ 110

Note 13 - Restatement (Tables)

Schedule of Error Corrections and Prior Period Adjustments [Table Text Block]

12 Months Ended Aug. 31, 2012	As Reported	Difference	As Restated
Consolidated Balance Sheet			
Accounts receivable, net	$ 222,616	$ (34,343)	$ 188,273
Total current assets	2,769,051	(34,343)	2,734,708
Total assets	5,521,641	(34,343)	5,487,298
Deferred revenue	401,941	(385,402)	16,539
Inventory purchase commitment	430,700	(382,646)	48,054
Total liabilities	6,183,207	(768,048)	5,415,159
Accumulated deficit	(45,748,820)	733,705	(45,015,115)
Total stockholders' equity (deficit)	(661,566)	733,705	72,139
Total liabilities and stockholder's equity (deficit)	5,521,641	(34,343)	5,487,298
Consolidated Statement of Operations			
Net revenue - devices	483,966	351,059	835,025
Total net revenue	597,051	351,059	948,110
Cost of revenue - other	1,752,981	(382,646)	1,370,335
Total cost of revenue	2,486,709	(382,646)	2,104,063
Gross loss	(1,889,658)	(733,705)	(1,155,953)
Net loss	(8,697,190)	(733,705)	(7,963,485)
Consolidated Statement of Cash Flows			
Net loss	(8,697,190)	(733,705)	(7,963,485)
Recognition of loss on inventory purchase commitment	(254,800)	(382,646)	(637,446)
Change in accounts receivable	(222,616)	(34,343)	(188,273)
Change in deferred revenue	401,941	(385,402)	16,539

Note 11 - Provision for Income Taxes (Detail) - Reconciliation of the Company's state statutory income taxes rate and the effective rate:	12 Months Ended	
	Aug. 31, 2012	Aug. 31, 2011
Federal tax at statutory rate	34.00%	34.00%
State income tax net of federal benefit	5.83%	5.83%
Valuation allowance	(39.83%)	(39.83%)

Note 9 - Equity (Detail) (USD $)	0 Months Ended		1 Months Ended								2 Months Ended				3 Months Ended	12 Months Ended								
	Sep. 11, 2012	Oct. 20, 2008	Sep. 27, 2012	Aug. 31, 2012	Jul. 31, 2012	Jul. 31, 2011	Jun. 30, 2011	Oct. 31, 2010	Aug. 27, 2009	Aug. 24, 2007	Oct. 31, 2012	Nov. 01, 2012	Nov. 07, 2012	Dec. 31, 2007	Nov. 28, 2012	Aug. 31, 2012	Aug. 31, 2011	Feb. 22, 2012	Jun. 28, 2011	Jan. 05, 2011	Aug. 20, 2009	Nov. 18, 2008	Oct. 20, 2008 Minimum [Member]	Oct. 20, 2008 Maximum [Member]
Stock Issued During Period, Shares, Stock Splits		58,061,276																						
Common Stock, Shares Authorized				300,000,000												300,000,000	300,000,000						100,000,000	300,000,000
Stock Issued During Period, Shares, Issued for Noncash Consideration								400,000																
Stock Issued During Period, Value, Issued for Noncash Consideration (in Dollars)								$ 48,000																
Warrant Cancellations, Shares																								
Debt Conversion, Converted Instrument, Shares Issued				250,000	350,000				80,927					15,726,000										
Number of Promissory Notes																								
Debt Conversion, Original Debt, Amount (in Dollars)				42,560					2,827					5,242,000										
Share Price (in Dollars per share)						$ 0.20	$ 0.20		$ 0.65								$ 0.20			$ 0.20	$ 0.82			
Stock Issued During Period, Shares, Issued for Services												150,000	500,000											
Conversion of Stock, Shares Converted							2,500,000			1,635,000							527,165							
Notes Payable (in Dollars)																		100,000						
Interest Payable (in Dollars)				146,737												146,737								
Number Of Employment Agreements																								
Due to Related Parties (in Dollars)																								
Other Deferred Compensation Arrangements, Liability, Current (in Dollars)																								
Number of Consultants																								
Class of Warrant or Right, Number of Securities Called by Warrants or Rights				8,958,302												8,958,302								
Stock Issued During Period, Shares, New Issues						50,000,000									500,000									
Proceeds from Issuance of Common Stock (in Dollars)						8,322,412																		
Payments of Stock Issuance Costs (in Dollars)						1,677,588																		
Other Significant Noncash Transaction, Value of Consideration Given (in Dollars)																								
Other Significant Noncash Transaction, Value of Consideration Received (in Dollars)																								
Number of Directors																								
Stock Issued During Period, Shares, Conversion of Convertible Securities	360,000		500,000								628,465													
Class of Warrant or Right, Exercise Price of Warrants or Rights (in Dollars per share)																								
Debt Conversion, Converted Instrument, Amount (in Dollars)					77,476																			
Debt Instrument, Convertible, Conversion Price (in Dollars per share)				$ 0.17	$ 0.22				$ 0.65			$ 0.20			$ 0.20	$ 0.17			$ 0.25		$ 0.65	$ 0.65		
Unamortized Prepaid Services Paid In Common Stock (in Dollars)																								
Share-based Compensation Arrangement by Share-based Payment Award, Number of Shares Authorized				20,000,000												20,000,000								
Share-based Compensation Arrangement by Share-based Payment Award, Options, Grants in Period, Gross																18,500,000								

Note 9 - Equity (Detail) (USD $)	1 Months Ended																						
	Apr. 30, 2012 Note Payable Issuance [Member]	Dec. 31, 2010 Note Payable Issuance [Member]	Oct. 31, 2010 Note Payable Issuance [Member]	Sep. 30, 2010 Note Payable Issuance [Member]	May 31, 2011 Business Development and Capital Raising Advisory Services [Member]	Apr. 28, 2011 Business Development and Capital Raising Advisory Services [Member]	Dec. 31, 2010 Business Development and Capital Raising Advisory Services [Member]	Sep. 30, 2010 Business Development and Capital Raising Advisory Services [Member]	Oct. 31, 2010 Debt Issuance [Member]	May 31, 2011 Note Payable Extension [Member]	Mar. 31, 2011 Note Payable Extension [Member]	Dec. 31, 2010 Note Payable Extension [Member]	Dec. 31, 2010 Cancellation of Series D And E Warrants [Member]	Aug. 31, 2011 Conversion of Promissory Notes [Member]	Jul. 31, 2011 Conversion of Promissory Notes [Member]	Mar. 31, 2011 Conversion of Promissory Notes [Member]	Dec. 31, 2010 Conversion of Promissory Notes [Member]	Feb. 28, 2011 Conversion of Promissory Notes [Member]	Dec. 31, 2010 Promissory Note Agreement [Member]	Dec. 31, 2010 Consulting Services [Member]	Dec. 31, 2010 Advisory Services [Member]	Jul. 31, 2011 Business Development and Sales Representative Services Cancellation of Series H Warrants [Member]	Jul. 31, 2011 Business Development and Sales Representative Services Cancellation of Series H and P Warrants [Member]
Stock Issued During Period, Shares, Stock Splits																							
Common Stock, Shares Authorized																							
Stock Issued During Period, Shares, Issued for Noncash Consideration	200,000	150,000	200,000	250,000				500,000	200,000	100,000	200,000	25,000	54,480										
Stock Issued During Period, Value, Issued for Noncash Consideration (in Dollars)	$ 56,000	$ 39,000	$ 22,000	$ 25,000	$ 40,000	$ 80,000	$ 130,000	$ 130,000	$ 22,000	$ 19,000	$ 34,000	$ 3,500								$ 10,200	$ 17,000	$ 100,000	
Warrant Cancellations, Shares													54,480										
Debt Conversion, Converted Instrument, Shares Issued														10,785,891			3,500,000		500,000				
Number of Promissory Notes														16	5	2	2						
Debt Conversion, Original Debt, Amount (in Dollars)																	700,000		100,000				
Share Price (in Dollars per share)														$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20					
Stock Issued During Period, Shares, Issued for Services					250,000	500,000	500,000													60,000	100,000	400,000	
Conversion of Stock, Shares Converted															1,229,559	1,079,863							
Notes Payable (in Dollars)														1,965,000	227,498	200,000		130,000					
Interest Payable (in Dollars)														192,178	18,414	15,973		3,986					
Number Of Employment Agreements																							
Due to Related Parties (in Dollars)																							
Other Deferred Compensation Arrangements, Liability, Current (in Dollars)																							
Number of Consultants																							
Class of Warrant or Right, Number of Securities Called by Warrants or Rights																						28,410	186,567
Stock Issued During Period, Shares, New Issues																							
Proceeds from Issuance of Common Stock (in Dollars)																							
Payments of Stock Issuance Costs (in Dollars)																							
Other Significant Noncash Transaction, Value of Consideration Given (in Dollars)																							
Other Significant Noncash Transaction, Value of Consideration Received (in Dollars)																							
Number of Directors																							
Stock Issued During Period, Shares, Conversion of Convertible Securities																							
Class of Warrant or Right, Exercise Price of Warrants or Rights (in Dollars per share)																							
Debt Conversion, Converted Instrument, Amount (in Dollars)																							
Debt Instrument, Convertible, Conversion Price (in Dollars per share)																							
Unamortized Prepaid Services Paid In Common Stock (in Dollars)																							
Share-based Compensation Arrangement by Share-based Payment Award, Number of Shares Authorized																							
Share-based Compensation Arrangement by Share-based Payment Award, Options, Grants in Period, Gross																							

Note 9 - Equity (Detail) (USD $)	1 Months Ended														3 Months Ended	1 Months Ended		
	Aug. 31, 2012 Business Development and Sales Representative Services Prepaid Services [Member]	Aug. 31, 2012 Business Development and Sales Representative Services [Member]	Jun. 30, 2012 Business Development and Sales Representative Services [Member]	Feb. 28, 2012 Business Development and Sales Representative Services [Member]	Jul. 31, 2011 Business Development and Sales Representative Services [Member]	Apr. 28, 2011 Business Development and Sales Representative Services [Member]	Dec. 31, 2010 Business Development and Sales Representative Services [Member]	Feb. 28, 2011 Public Relations Advisory Services [Member]	Apr. 28, 2011 Letter of Intent for Employment Agreements [Member]	Aug. 31, 2012 Accounting Advisory Services [Member]	May 31, 2012 Accounting Advisory Services [Member]	Feb. 28, 2012 Accounting Advisory Services [Member]	Dec. 31, 2011 Accounting Advisory Services [Member]	Apr. 28, 2011 Accounting Advisory Services [Member]	Nov. 28, 2012 Accounting Advisory Services [Member]	May 31, 2011 Sales Advisory Services [Member]	Jul. 31, 2011 Conversion of Related Party Advances [Member]	Jul. 31, 2011 Conversion of Accounts Payable [Member]
Stock Issued During Period, Shares, Stock Splits																		
Common Stock, Shares Authorized																		
Stock Issued During Period, Shares, Issued for Noncash Consideration									500,000									
Stock Issued During Period, Value, Issued for Noncash Consideration (in Dollars)	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 440,000	$ 45,000	$ 40,000	$ 600,000	$ 85,000	$ 12,000	$ 8,500	$ 7,500	$ 32,500	$ 7,500		$ 3,200		
Warrant Cancellations, Shares																		
Debt Conversion, Converted Instrument, Shares Issued																		
Number of Promissory Notes								2										
Debt Conversion, Original Debt, Amount (in Dollars)																		30,000
Share Price (in Dollars per share)																	$ 0.20	$ 0.20
Stock Issued During Period, Shares, Issued for Services	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	321,429	285,714	3,000,000		50,000	25,000	26,786	90,278	50,000	50,000	20,000		
Conversion of Stock, Shares Converted								669,932									4,318,750	150,000
Notes Payable (in Dollars)																		
Interest Payable (in Dollars)																		
Number Of Employment Agreements									2									
Due to Related Parties (in Dollars)																	500,000	
Other Deferred Compensation Arrangements, Liability, Current (in Dollars)																	363,750	
Number of Consultants					2													
Class of Warrant or Right, Number of Securities Called by Warrants or Rights																		
Stock Issued During Period, Shares, New Issues																		
Proceeds from Issuance of Common Stock (in Dollars)																		
Payments of Stock Issuance Costs (in Dollars)																		
Other Significant Noncash Transaction, Value of Consideration Given (in Dollars)																		
Other Significant Noncash Transaction, Value of Consideration Received (in Dollars)																		
Number of Directors																		
Stock Issued During Period, Shares, Conversion of Convertible Securities																		
Class of Warrant or Right, Exercise Price of Warrants or Rights (in Dollars per share)																		
Debt Conversion, Converted Instrument, Amount (in Dollars)																		
Debt Instrument, Convertible, Conversion Price (in Dollars per share)																		
Unamortized Prepaid Services Paid In Common Stock (in Dollars)																		
Share-based Compensation Arrangement by Share-based Payment Award, Number of Shares Authorized																		
Share-based Compensation Arrangement by Share-based Payment Award, Options, Grants in Period, Gross																		

Note 9 - Equity (Detail) (USD $)	1 Months Ended																		
	May 31, 2012 Consulting Services Related to Technology Development [Member]	Dec. 31, 2011 Consulting Services Related to Technology Development [Member]	Jul. 31, 2011 Consulting Services Related to Technology Development [Member]	Jul. 31, 2011 Cancellation of Series R Warrants [Member]	Aug. 31, 2011 Conversion of Accrued Interest on Advances [Member]	Aug. 31, 2011 Finder's Fee Commissions [Member]	May 31, 2012 Consulting Services Related to Business Development [Member]	Dec. 31, 2011 Consulting Services Related to Business Development [Member]	Dec. 31, 2011 Legal Advisory Services [Member]	Dec. 31, 2011 Customer Service Advisory Services [Member]	Dec. 31, 2011 Employment Agreement [Member]	Aug. 31, 2012 Serving on Board Of Directors [Member]	Dec. 31, 2011 Serving on Board Of Directors [Member]	Jun. 30, 2012 Cashless Exercise of Warrants [Member]	May 31, 2012 Cashless Exercise of Warrants [Member]	Aug. 31, 2012 Conversion of Finder's Fees and Accounts Payable [Member]	Jul. 31, 2011 Cancellation of Series R Warrants [Member]	Aug. 31, 2011 Cancellation of Series G Warrants [Member]	Aug. 31, 2012 Prepaid Services [Member]
Stock Issued During Period, Shares, Stock Splits																			
Common Stock, Shares Authorized																			
Stock Issued During Period, Shares, Issued for Noncash Consideration						1,200,000										1,097,288			
Stock Issued During Period, Value, Issued for Noncash Consideration (in Dollars)	$ 18,500	$ 54,000	$ 12,350				$ 37,000	$ 90,000	$ 18,000	$ 18,000	$ 36,000	$ 48,000	$ 94,000			$ 288,844			
Warrant Cancellations, Shares																			
Debt Conversion, Converted Instrument, Shares Issued					597,165														
Number of Promissory Notes																			
Debt Conversion, Original Debt, Amount (in Dollars)																			
Share Price (in Dollars per share)					$ 0.20	$ 0.20										$ 0.26			
Stock Issued During Period, Shares, Issued for Services	50,000	150,000	65,000	35,000			100,000	250,000	50,000	50,000	100,000	200,000	200,000				25,000	50,000	
Conversion of Stock, Shares Converted																			
Notes Payable (in Dollars)																			
Interest Payable (in Dollars)					105,433														
Number Of Employment Agreements																			
Due to Related Parties (in Dollars)																			
Other Deferred Compensation Arrangements, Liability, Current (in Dollars)																			
Number of Consultants	3	3	2																
Class of Warrant or Right, Number of Securities Called by Warrants or Rights														60,000	50,000			20,408	
Stock Issued During Period, Shares, New Issues																			
Proceeds from Issuance of Common Stock (in Dollars)																			
Payments of Stock Issuance Costs (in Dollars)																			
Other Significant Noncash Transaction, Value of Consideration Given (in Dollars)					14,000														
Other Significant Noncash Transaction, Value of Consideration Received (in Dollars)						281,109													
Number of Directors												4	4						
Stock Issued During Period, Shares, Conversion of Convertible Securities														27,391	24,359				
Class of Warrant or Right, Exercise Price of Warrants or Rights (in Dollars per share)														0.20	0.20				
Debt Conversion, Converted Instrument, Amount (in Dollars)																			
Debt Instrument, Convertible, Conversion Price (in Dollars per share)																			
Unamortized Prepaid Services Paid In Common Stock (in Dollars)																			$ 273,000
Share-based Compensation Arrangement by Share-based Payment Award, Number of Shares Authorized																			
Share-based Compensation Arrangement by Share-based Payment Award, Options, Grants in Period, Gross																			

Note 3 - Property and Equipment	12 Months Ended Aug. 31, 2012
Property, Plant and Equipment Disclosure [Text Block]	3. **PROPERTY AND EQUIPMENT**

Property and equipment at August 31, 2012 and 2011 consisted of the following:

	August 31, 2012	August 31, 2011
Website development costs	$ 1,361,959	$ 1,361,959
Machinery and equipment	55,965	168,024
Computer software (mobile apps)	83,999	101,626
Computer software (internal)	51,263	-
Computer and video equipment	17,632	40,777
Office furniture	24,526	34,800
	1,595,344	1,707,186
Less: accumulated depreciation and impairment adjustment	(1,471,362)	(1,515,331)
Total property and equipment	$ 123,982	$ 191,855

Depreciation expense for the years August 31, 2012 and 2011 amounted to $136,402 and $27,033, respectively. In addition, the Company recorded an impairment of its Website development costs in the amount of $1,361,959 during the years ended August 31, 2010, due to uncertainty concerning, at the time, its ability to obtain sufficient financing to bring its products to market.

Note 12 - Subsequent Events (Detail) (USD $)	0 Months Ended	1 Months Ended		2 Months Ended			3 Months Ended													0 Months Ended		3 Months Ended	0 Months Ended	1 Months Ended					3 Months Ended		
	Sep. 11, 2012	Sep. 27, 2012	Jul. 31, 2011	Oct. 31, 2012	Nov. 01, 2012	Nov. 07, 2012	Nov. 28, 2012	Nov. 19, 2012	Aug. 31, 2012	Jul. 31, 2012	Feb. 22, 2012	Jun. 28, 2011	Jan. 05, 2011	Aug. 27, 2009	Aug. 20, 2009	May 07, 2009	Nov. 18, 2008	Oct. 15, 2012 Warrant Y [Member]	Oct. 15, 2010 Warrant Y [Member]	Sep. 10, 2012 Director [Member]	Nov. 01, 2012 Director [Member]	Nov. 28, 2012 Four Directors [Member]	Sep. 07, 2012 Business Development Services [Member]	Aug. 31, 2012 Accounting Advisory Services [Member]	May 31, 2012 Accounting Advisory Services [Member]	Feb. 28, 2012 Accounting Advisory Services [Member]	Dec. 31, 2011 Accounting Advisory Services [Member]	Apr. 28, 2011 Accounting Advisory Services [Member]	Nov. 28, 2012 Accounting Advisory Services [Member]	Nov. 01, 2012 JMJ Financial [Member]	Sep. 16, 2012 JMJ Financial [Member]
Stock Issued During Period, Shares, Issued for Services (in Shares)					150,000	500,000														400,000		200,000	750,000	50,000	25,000	26,786	90,278	50,000	50,000		
Stock Issued During Period, Value, Issued for Services					$ 25,500	$ 105,000														$ 88,000		$ 42,000	$ 172,500						$ 7,500		
Debt Instrument, Face Amount							1,000,000					25,000								200,000											
Debt Instrument, Interest Rate, Stated Percentage					10.00%		8.00%					10.00%				12.00%	12.00%			10.00%	10.00%										
Debt Instrument, Convertible, Conversion Ratio																				0.20											
Stock Issued During Period, Shares, Conversion of Convertible Securities (in Shares)	360,000	500,000		628,465																											
Stock Issued During Period, Value, Conversion of Convertible Securities	57,773	65,320		85,471																											
Notes Payable											100,000																			550,000	555,000
Class of Warrant or Right, Number of Securities Called by Warrants or Rights (in Shares)									8,958,302										500,000												
Exercise Price (in Dollars per Item) (in Dollars per Item)																			0.20												
Warrants and Rights Outstanding																		99,873													
Convertible Debt					150,000																										
Debt Instrument, Convertible, Conversion Price (in Dollars per share)					$ 0.20		$ 0.20		$ 0.17	$ 0.22		$ 0.25		$ 0.65	$ 0.65		$ 0.65				$ 0.20										
Line of Credit Facility, Maximum Borrowing Capacity								1,000,000					1,000,000																		
Securities Purchase Agreement							1,000,000																								
Stock Issued During Period, Shares, New Issues (in Shares)			50,000,000				500,000																								
Stock Issued During Period, Value, New Issues							75,000																								
Unsecured Debt																					$ 100,000										

Note 3 - Property and Equipment (Detail) (USD $)	12 Months Ended		
	Aug. 31, 2012	Aug. 31, 2011	Aug. 31, 2010
Depreciation	$ 136,402	$ 27,033	
Asset Impairment Charges			$ 1,361,959

Note 2 - Inventory (Detail) - Inventory (USD $)	Aug. 31, 2012	Aug. 31, 2011
Current:		
Inventories, current	$ 1,982,966	$ 24,809
Noncurrent:		
Inventories, noncurrent	1,350,000	
Current [Member]		
Current:		
Packaging supplies	7,859	13,129
Device components	452,298	11,680
Finished goods	1,522,809	
Noncurrent:		
Device components	452,298	11,680
Finished goods	1,522,809	
Noncurrent [Member]		
Current:		
Device components	1,200,000	
Finished goods	150,000	
Noncurrent:		
Device components	1,200,000	
Finished goods	$ 150,000	

Note 13 - Restatement (Detail) - Amended Financial Statements (USD $)	12 Months Ended		
	Aug. 31, 2012	Aug. 31, 2011	Aug. 31, 2010
Accounts receivable, net	$ 188,273		
Total current assets	2,734,708	7,947,223	
Total assets	5,487,298	9,400,162	
Deferred revenue	16,539		
Inventory purchase commitment	48,054	685,500	
Total liabilities	5,415,159	4,178,047	
Accumulated deficit	(45,015,115)	(37,051,630)	(28,828,925)
Total stockholders’ equity (deficit)	72,139	4,536,615	
Total liabilities and stockholder’s equity (deficit)	5,487,298	9,400,162	
Net revenue - devices	835,025	10,288	
Total net revenue	948,110	16,969	
Cost of revenue - other	1,370,335	8,201	
Total cost of revenue	2,104,063	25,186	
Gross loss	(1,155,953)	(8,217)	
Net loss	(7,963,485)	(8,222,705)	
Recognition of loss on inventory purchase commitment	(637,446)	685,500	
Change in accounts receivable	(188,273)		
Change in deferred revenue	16,539		
Scenario, Previously Reported [Member]			
Accounts receivable, net	222,616		
Total current assets	2,769,051		
Total assets	5,521,641		
Deferred revenue	401,941		
Inventory purchase commitment	430,700		
Total liabilities	6,183,207		
Accumulated deficit	(45,748,820)		
Total stockholders’ equity (deficit)	(661,566)		
Total liabilities and stockholder’s equity (deficit)	5,521,641		
Net revenue - devices	483,966		
Total net revenue	597,051		
Cost of revenue - other	1,752,981		
Total cost of revenue	2,486,709		
Gross loss	(1,889,658)		
Net loss	(8,697,190)		
Recognition of loss on inventory purchase commitment	(254,800)		
Change in accounts receivable	(222,616)		
Change in deferred revenue	401,941		
Restatement Adjustment [Member]			
Accounts receivable, net	(34,343)		
Total current assets	(34,343)		

Total assets	(34,343)
Deferred revenue	(385,402)
Inventory purchase commitment	(382,646)
Total liabilities	(768,048)
Accumulated deficit	733,705
Total stockholders’ equity (deficit)	733,705
Total liabilities and stockholder’s equity (deficit)	(34,343)
Net revenue - devices	351,059
Total net revenue	351,059
Cost of revenue - other	(382,646)
Total cost of revenue	(382,646)
Gross loss	(733,705)
Net loss	(733,705)
Recognition of loss on inventory purchase commitment	(382,646)
Change in accounts receivable	(34,343)
Change in deferred revenue	$ (385,402)

Note 3 - Property and Equipment (Detail) - Property and Equipment (USD $)	Aug. 31, 2012	Aug. 31, 2011
Website development costs	$ 1,361,959	$ 1,361,959
Office furniture	24,526	34,800
	1,595,344	1,707,186
Less: accumulated depreciation and impairment adjustment	(1,471,362)	(1,515,331)
Total property and equipment	123,982	191,855
Machinery and Equipment [Member]		
Equipment	55,965	168,024
Mobile Apps [Member]		
Computer software	83,999	101,626
Internal [Member]		
Computer software	51,263	
Computer and Video Equipment [Member]		
Equipment	$ 17,632	$ 40,777

Note 4 - Related Party Transactions (Detail) (USD $)	1 Months Ended			6 Months Ended	12 Months Ended													1 Months Ended	12 Months Ended		1 Months Ended	12 Months Ended
	Jun. 30, 2011	Mar. 30, 2011	Aug. 24, 2007	Aug. 31, 2012	Aug. 31, 2012	Aug. 31, 2011	Nov. 28, 2012	Nov. 01, 2012	Jul. 31, 2012	Jul. 31, 2011	Jun. 28, 2011	Jan. 05, 2011	Aug. 27, 2009	Aug. 20, 2009	May 07, 2009	Jan. 30, 2009	Nov. 18, 2008	Aug. 31, 2012 Officer Advances [Member]	Aug. 31, 2012 Cash Compensation [Member]	Aug. 31, 2012 Stock Compensation [Member]	Jul. 31, 2012 West Coast Customs [Member]	Aug. 31, 2012 Promissory Note Agreement [Member]
Related Party Transaction, Rate					8.00%																	10.00%
Repayments of Related Party Debt					$ 9,423																	
Related Party Transaction, Amounts of Transaction	500,000	10,000			32,150														134,575	18,000		200,000
Conversion of Stock, Shares Converted (in Shares)	2,500,000		1,635,000			527,165																
Share Price (in Dollars per share)	$ 0.20					$ 0.20				$ 0.20		$ 0.20	$ 0.65	$ 0.82								
Due to Related Parties				0	0																	
Interest Payable, Current				5,597	5,597													55				
Interest Paid					109,472	252,305												94				
Accrued Interest Related Party						105,433												0				
Related Party Transaction Rate Of Transaction				12,500	3,000																	
Common Stock, Shares, Issued (in Shares)		250,000		197,861,157	197,861,157	191,570,055																
Common Stock, Value, Issued		42,500		135,461	135,461	129,170								20,500	32,000	47,000	55,000					
Noncash or Part Noncash Acquisition, Noncash Financial or Equity Instrument Consideration, Options Issued (in Shares)				1,500,000																		
Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Vested in Period (in Shares)					62,500																	
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested in Period, Fair Value					$ 14,344																	
Related Party Ownership Percentage																					1.50%	
Debt Instrument, Convertible, Conversion Price (in Dollars per share)				$ 0.17	$ 0.17		$ 0.20	$ 0.20	$ 0.22		$ 0.25		$ 0.65	$ 0.65			$ 0.65					$ 0.20

Note 2 - Inventory	12 Months Ended Aug. 31, 2012
Inventory Disclosure [Text Block]	2. **INVENTORY**

Inventory at August 31, 2012 and 2011 consisted of the following:

	August 31, 2012	August 31, 2011
Current:		
Packaging supplies	$ 7,859	$ 13,129
Device components	452,298	11,680
Finished goods	1,522,809	-
Inventories, current	$ 1,982,966	$ 24,809
Noncurrent:		
Device components	$ 1,200,000	$ -
Finished goods	150,000	-
Inventories, noncurrent	$ 1,350,000	$ -

In the first quarter of 2012, the Company purchased a substantial amount of inventory components to produce PocketFinder® devices. Management analyzed its inventories based on existing purchase orders and current potential orders for future delivery and determined we may not realize all of the inventory components and finished goods within the next year. Inventories totaling $1,350,000 which may not be realized within a 12-month period have been reclassified as long-term as of August 31, 2012.

Note 5 - Note Payable (Detail) (USD $)	1 Months Ended	3 Months Ended						12 Months Ended	
	Jul. 31, 2011	Nov. 28, 2012	Nov. 01, 2012	Feb. 22, 2012	Jun. 28, 2011	May 07, 2009	Nov. 18, 2008	Aug. 31, 2012 Promissory Note [Member]	Jan. 17, 2012 Promissory Note [Member]
Notes Payable (in Dollars)				$ 100,000				$ 560,000	$ 500,000
Debt Instrument, Interest Rate, Stated Percentage		8.00%	10.00%		10.00%	12.00%	12.00%		12.00%
Debt Instrument, Periodic Payment, Interest								60,000	
Stock Issued During Period, Shares, New Issues (in Shares)	50,000,000	500,000						200,000	
Stock Issued During Period, Value, New Issues		$ 75,000						$ 56,000	

Note 11 - Provision for Income Taxes (Detail) (USD $)	12 Months Ended Aug. 31, 2012
Valuation Allowances and Reserves, Period Increase (Decrease)	$ 3,610,000
Operating Loss Carryforwards	$ 37,063,000

Consolidated Balance Sheets (USD $)	12 Months Ended Aug. 31, 2011	Aug. 31, 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 3,619,576	$ 376,554
Accounts receivable, net of allowance for doubtful accounts		188,273
Inventory, current	24,809	1,982,966
Prepaid expenses and other assets	1,499,504	127,581
Manufacturing deposits	2,800,000	
Deferred financing costs	3,334	59,334
Total current assets	7,947,223	2,734,708
Property and equipment, net of accumulated depreciation	191,855	123,982
OTHER ASSETS		
Patents and trademarks, net of accumulated amortization	1,231,084	1,248,608
Inventory, noncurrent		1,350,000
Deposits	30,000	30,000
Total other assets	1,261,084	2,628,608
TOTAL ASSETS	9,400,162	5,487,298
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,329,689	1,304,648
Deferred compensation	914,765	998,458
Deferred revenue		16,539
Advances from officers and accrued interest	9,462	
Line of credit and accrued interest	1,005,597	1,005,597
Convertible notes payable and accrued interest, net of unamortized beneficial conversion feature	918,534	2,041,863
Inventory purchase commitment	685,500	48,054
Total current liabilities	4,178,047	5,415,159
TOTAL LIABILITIES	4,178,047	5,415,159
Inventory purchase commitment (long-term)	685,500	
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued or outstanding		
Common stock, $0.001 par value; 300,000,000 shares authorized; 197,861,157 and 191,570,055 shares issued and outstanding at August 31, 2012 and 2011, respectively	129,170	135,461
Additional paid-in capital	41,752,408	45,226,793
Prepaid services paid in common stock	(293,333)	(275,000)
Accumulated deficit	(37,051,630)	(45,015,115)
Total stockholders' equity (deficit)	4,536,615	72,139
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 9,400,162	$ 5,487,298

Consolidated Statements of Cash Flows (USD $)	12 Months Ended	
	Aug. 31, 2012	Aug. 31, 2011
Cash Flows from Operating Activities		
Net loss	$ (7,963,485)	$ (8,222,705)
Recognition of loss on inventory purchase commitment	(637,446)	685,500
Recognition of loss on asset disposals	246,768	
Depreciation and amortization	143,541	29,397
Amortization of beneficial conversion feature	33,889	321,167
Amortization of prepaid services paid-in common stock	568,333	473,090
Options issued for services	647,961	
(Increase) decrease in accounts receivable	(188,273)	
(Increase) decrease in inventory	(3,308,157)	(24,809)
(Increase) decrease in prepaid expenses and other assets	1,371,923	(4,299,504)
(Increase) decrease in debt issuance/financing costs	(56,000)	6,668
(Increase) decrease in deposits	2,800,000	(13,841)
Increase (decrease) in accounts payable and accrued expenses	(25,041)	(975,803)
Increase (decrease) in accrued officer compensation	83,693	(98,638)
Increase (decrease) in deferred revenue	16,539	
Increase (decrease) in accrued interest	(64,145)	(43,558)
Net cash used in operating activities	(4,896,139)	(8,385,476)
Cash Flows from Investing Activities		
Purchase of property and equipment	(311,535)	(181,539)
Additions to patents and trademarks	(28,425)	66,291
Net cash used in investing activities	(339,960)	(115,248)
Cash Flows from Financing Activities		
Advances / (repayments) from officers, net	(9,423)	(437,874)
Proceeds from issuance of common stock and warrants, net of offering costs		9,085,409
Proceeds from convertible notes payable	1,312,500	2,830,000
Repayment on convertible notes payable	(310,000)	(350,000)
Proceeds from notes payable	500,000	58,298
Repayment on notes payable	(500,000)	(65,800)
Proceeds from line of credit		1,000,000
Net cash provided by financing activities	1,993,077	12,120,033
Net increase (decrease) in cash and cash equivalents	(3,243,022)	3,619,309
Cash and cash equivalents, beginning of period	3,619,576	267
Cash and cash equivalents, end of period	376,554	3,619,576
Supplemental disclosure of cash flow information:		
Income taxes paid	800	2,400
Interest paid	109,472	252,305
Stock Issued For Financing Costs [Member]		
Cash Flows from Operating Activities		
Stock issued for services	56,000	560,346
Issuance Of Common Stock For Services [Member]		

Cash Flows from Operating Activities		
Stock issued for services	1,374,000	1,183,327
Warrants Issued For Services [Member]		
Cash Flows from Operating Activities		
Warrants issued for services	3,761	2,033,887
Conversion of Promissory Notes [Member]		
Supplemental disclosure of noncash financing and investing activities:		
Conversion of common stock	408,880	3,864,158
Accrued Interest, Advance from Officers [Member]		
Supplemental disclosure of noncash financing and investing activities:		
Conversion of common stock		983,183
Issuance Of Common Stock For Services [Member]		
Cash Flows from Operating Activities		
Stock issued for services	1,374,000	1,183,327
Stock Issued For Financing Costs [Member]		
Cash Flows from Operating Activities		
Stock issued for services	56,000	560,346
Warrants issued for services	3,761	2,033,887
Sale of Convertible Notes Payable and Warrants [Member]		
Cash Flows from Financing Activities		
Proceeds from convertible notes payable	$ 1,000,000	

Note 8 - Commitments and Contingencies (Detail) (USD $)	1 Months Ended				2 Months Ended	12 Months Ended		48 Months Ended	0 Months Ended			
	Aug. 31, 2012	Jul. 31, 2012	Apr. 30, 2011	Aug. 27, 2009	Dec. 31, 2007	Aug. 31, 2012	Aug. 31, 2011	Jun. 30, 2015	May 11, 2011 Minimum [Member]	May 11, 2011 Maximum [Member]	Aug. 31, 2012 Inventories [Member]	Aug. 31, 2011 Inventories [Member]
Purchase Obligation											$ 48,054	$ 685,500
Operating Leases, Base Monthly Rent									6,199	7,193		
Lease Term								48 months				
Operating Leases, Rent Expense						76,478	154,314					
Debt Conversion, Original Debt, Amount (in Dollars)	42,560			2,827	5,242,000							
Debt Conversion, Converted Instrument, Shares Issued (in Shares)	250,000	350,000		80,927	15,726,000							
Loss Contingency, Damages Sought, Value			$ 858,292									

Note 8 - Commitments and Contingencies (Tables)		12 Months Ended Aug. 31, 2012
Schedule of Future Minimum Rental Payments for Operating Leases [Table Text Block]	August 31, 2013	$ 78,928
	August 31, 2014	82,526
	August 31, 2015	71,930
	Total	$233,384

Note 8 - Commitments and Contingencies (Detail) - Summary of future minimum lease payments are as follows: (USD $) In Thousands, unless otherwise specified	Aug. 31, 2012
August 31, 2013	$ 78,928
August 31, 2014	82,526
August 31, 2015	71,930
Total	$ 233,384

Note 11 - Provision for Income Taxes (Tables)	12 Months Ended Aug. 31, 2012
Schedule of Deferred Tax Assets and Liabilities [Table Text Block]	
Schedule of Effective Income Tax Rate Reconciliation [Table Text Block]	

Schedule of Deferred Tax Assets and Liabilities [Table Text Block]

	August 31, 2012	August 31, 2011
Net operating loss carry forward and deductible temporary differences	$ 14,762,000	11,152,000
Valuation allowance	(14,762,000)	$(11,152,000)
Net deferred tax asset	$ -	$ -

Schedule of Effective Income Tax Rate Reconciliation [Table Text Block]

	August 31, 2012	August 31, 2011
Federal tax at statutory rate	34.00%	34.00%
State income tax net of federal benefit	5.83%	5.83%
Valuation allowance	(39.83%)	(39.83%)
	-	-

Note 1 - Nature of Operations and Summary of Significant Accounting Policies		12 Months Ended
		Aug. 31, 2012
Organization, Consolidation and Presentation of Financial Statements Disclosure [Text Block]	1.	NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company designs, develops, and sells personal, pet, and vehicle locator devices and services including PocketFinder® People, PocketFinder® Pets and PocketFinder® Vehicles. The PocketFinder® is a small, completely wireless, location device that enables a user to locate a person, pet, vehicle or valuable item at any time from almost anywhere using Global Positioning System ("GPS") and General Packet Radio Service ("GPRS") technologies. The Company is located in Irvine, California.

Organization

Location Based Technologies, Inc. (formerly known as Springbank Resources, Inc.) (the "Company," "our," or "LBT") was incorporated under the laws of the State of Nevada on April 10, 2006.

Location Based Technologies, Corp. (formerly known as PocketFinder, Inc.) was incorporated under the laws of the State of California on September 16, 2005. On July 7, 2006, it established PocketFinder, LLC ("LLC"), a California Limited Liability Company. On May 29, 2007, PocketFinder, Inc. filed amended articles with the Secretary of State to change its name to Location Based Technologies, Corp.

On September 30, 2009, the Company formed Location Based Technologies, Ltd. ("LBT, Ltd."), an England and Wales private limited company, to establish a presence in Europe. LBT, Ltd. is a wholly owned subsidiary of the Company.

Merger

On August 24, 2007, Location Based Technologies, Corp. merged with PocketFinder, LLC. The merger was approved by the shareholders of Location Based Technologies, Corp. and PocketFinder, LLC by unanimous written consent. Location Based Technologies, Corp. was the survivor of the merger with PocketFinder, LLC.

Each Class A Membership Unit of the LLC was converted into 150,000 shares of common stock of the Company or fraction thereof and each Class C Membership Unit of the LLC was cancelled. Upon consummation of the merger, 10.9 Class A Membership Units of the LLC were converted into 1,635,000 shares of common stock of the Company.

Stock Exchange Agreement

On October 11, 2007, Location Based Technologies, Corp. effected a stock exchange agreement and plan of reorganization (the “Agreement”) with Springbank Resources, Inc. (“SRI”) whereby SRI acquired all of the issued and outstanding shares of Location Based Technologies, Corp. in exchange for shares of SRI’s common stock.

Subject to the terms and conditions of the Agreement, SRI issued, and the stockholders of Location Based Technologies, Corp. accepted 55,153,500 shares of SRI’s common stock in consideration for all of the issued and outstanding shares of Location Based Technologies, Corp. The shares of SRI’s common stock were allocated to the shareholders of Location Based Technologies, Corp. in accordance with the Agreement.

The former shareholders of Location Based Technologies, Corp. acquired control of SRI upon the closing of the stock exchange transaction. The exchange was accounted for as a reverse acquisition. Accordingly, for financial statement purposes, Location Based Technologies, Corp. was considered the accounting acquiror, and the related business combination was considered a recapitalization of Location Based Technologies, Corp. rather than an acquisition by SRI. The historical financial statements prior to the Agreement are those of Location Based Technologies, Corp., and the name of the company was changed to Location Based Technologies, Inc.

Consolidation Policy

The accompanying consolidated financial statements include the accounts and operations of the Company and its wholly owned subsidiary, Location Based Technologies, Ltd. Intercompany balances and transactions have been eliminated in consolidation.

Stock Split

All share and per-share amounts in the accompanying financial statements, unless otherwise indicated, have been retroactively restated to reflect a 3 for 1 stock split approved by the Board in October 2008, as if the split had been in effect since inception.

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred net losses since inception, and as of August 31, 2012, had an accumulated deficit of $45,015,115. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management recognizes that the Company must generate additional resources to enable it to continue operations. Management intends to raise additional financing through debt and equity financing or through other means that it deems necessary, with a view to moving forward and sustaining prolonged growth in its strategy phases. However, no assurance can be given that the Company will be successful in raising additional capital. Further, even if the Company raises additional capital, there can be no assurance that the Company will achieve profitability or positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Company will not be able to meet its obligations and may have to cease operations.

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior period amounts or balances to conform to the presentation adopted in the current period.

Cash and Cash Equivalents

For purposes of the balance sheets and statements of cash flows, the Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Cash and Cash Equivalents – The cash and cash equivalent balances at August 31, 2012 and 2011 were principally held by two institutions which insured our aggregated accounts with the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per insured banking institution. At times, the Company has maintained bank balances which have exceeded FDIC limits. The Company has not experienced any losses with respect to its cash balances.

Revenue and Accounts Receivable – For the year ended August 31, 2012, revenue from one of the Company's customers amounted to $689,170 or 73% of total net revenue. Accounts receivable from this customer amounted to $214,643 or 96% of total accounts receivable at August 31, 2012.

Allowance for Doubtful Accounts

The allowance for doubtful accounts on accounts receivable is charged to operations in amounts sufficient to maintain the allowance for uncollectible accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and the current status of accounts receivable. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired. As of August 31, 2012 and 2011 the allowance for doubtful accounts amounted to $304,597 and is related to the LoadRack project.

Inventory

Inventories are valued at the lower of cost (first-in, first-out) or market and primarily consisted of packaging supplies, components and finished goods for the Company's PocketFinder® products. A portion of the inventory totaling $1,350,000 is classified as a noncurrent asset at August 31, 2012 (see Note 2).

Net losses on firm purchase commitments for inventory are recognized in accordance with FASB ASC 330 – *Inventory*, whereby losses arising from firm, uncancelable and unhedged commitments for the future purchase of inventory items are recognized in the current period. For the year ended August 31, 2011, the Company recognized losses and a related liability from inventory purchase commitments totaling $685,500. As of August 31, 2012 and 2011, the liability from inventory purchase commitments amounted to $48,054 and $685,500, respectively.

Fair Value of Financial Instruments

Pursuant to FASB ASC 820 – *Fair Value Measurement and Disclosures*, the Company is required to estimate the fair value of all financial instruments included on its balance sheet. The carrying value of cash, accounts receivable, inventory, accounts payable and notes payable approximate their fair value due to the short period to maturity of these instruments.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method and with useful lives used in computing depreciation ranging from 1 to 5 years. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Expenditures for maintenance and repairs are charged to operations as incurred; additions, renewals and betterments are capitalized.

Internal Website Development Costs

Under FASB ASC 350-50 – *Intangibles – Goodwill and Other – Website Development Costs*, costs and expenses incurred during the planning and operating stages of the Company's web site development are expensed as incurred. Costs incurred in the web site application and infrastructure development stages are capitalized by the Company and amortized to expense over the web site's estimated useful life or period of benefit. As of August 31, 2012 and 2011, the Company capitalized costs totaling $1,361,959 related to its website development.

Long-Lived Assets

The Company accounts for its long-lived assets in accordance with FASB ASC 360 – *Impairment or Disposal of Long-Lived Assets* that requires long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. During the year ended August 31, 2010, due to uncertainties related to the recovery of its investment in the PocketFinder® website as a result of generally poor economic conditions and the Company's history of difficulties in obtaining financing for product launch, the Company recorded a full impairment of its Website Development Costs totaling $1,361,959 (see note 3).

Beneficial Conversion Feature of Convertible Notes Payable

The Company accounts for the beneficial conversion feature of convertible notes payable when the conversion rate is below market value. Pursuant to FASB ASC 470-20 – *Debt With Conversion and Other Options*, the estimated fair value of the beneficial conversion feature is recorded in the financial statements as a discount from the face amount of the notes. Such discounts are amortized over the term of the notes or conversion of the notes, if sooner.

Intangible Assets – Patents and Trademarks

The Company capitalizes internally developed assets related to certain costs associated with patents and trademarks. These costs include legal and registration fees needed to apply for and secure patents. The intangible assets acquired from other enterprises or individuals in an "arms length" transaction are recorded at cost. As of August 31, 2012 and 2011, the Company capitalized $1,209,631 and $1,184,968, respectively, for patent related expenditures. As of August 31, 2012 and 2011, the Company capitalized $59,470 for trademark related expenditures.

Patents are subject to amortization upon issuance by the United States Patent and Trademark Office. Intangible assets are amortized in accordance with FASB ASC 350 – *Intangibles – Goodwill and Other,* using the straight-line method over the shorter of their estimated useful lives or remaining legal life. Amortization expense totaled $7,139 and $26,900 for the years ended August 31, 2012 and 2011, respectively.

Deferred Revenue

Deferred revenue is a liability related to a revenue producing activity for which revenue has not yet been recognized. As of August 31, 2012, deferred revenue amounted to $16,539 and consisted of prepaid service revenue from subscribers.

Revenue Recognition

Revenues are recognized in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition,* when (a) persuasive evidence of an arrangement exists, (b) the products or services have been provided to the customer, (c) the fee is fixed or determinable, and (d) collectability is reasonably assured. In instances where the customer, at its discretion, has the right to reject the product or services prior to final acceptance, revenue is deferred until such acceptance occurs.

Device Sales Revenue – Revenue from the sales of PocketFinder® products is recognized upon shipment to website customers and upon delivery to distributors net of an allowance for estimated returns. The allowance for sales returns is estimated based on management's judgment using historical experience and expectation of future conditions.

Service Revenue – Service revenue consists of monthly service fees initiated by the customer upon activation of a PocketFinder® device. Services fees are billed and collected in advance of the service provided for that month. Service revenue is recognized upon billing the customer.

Shipping Costs

Amounts billed to customers related to shipping and handling are classified as revenue, and the Company's shipping and handling costs are included in cost of sales.

Research and Development

Research and development costs are clearly identified and are expensed as incurred in accordance with FASB ASC 730 – *Research and Development*. For the years August 31, 2012 and 2011, the Company incurred $522,380 and $514,147 of research and development costs, respectively.

Stock Based Compensation

The Company measures and recognizes compensation expense associated with its grant of equity-based awards in accordance with FASB ASC 718, *Compensation – Stock Compensation*. ASC 718 requires that companies measure and recognize compensation expense at an amount equal to the fair value of share-based payments granted under compensation arrangements over the vesting period.

In accordance with ASC 718, the Company estimates the grant-date fair value of its stock options using the Black-Scholes option-pricing model, which takes into account assumptions regarding an expected dividend yield, a risk-free interest rate, an expected volatility factor for the market price of the Company's common stock and an expected term of the stock options. For the year ended August 31, 2012, stock-based compensation expense associated with stock options totaled $647,961.

Provision for Income Taxes

The Company accounts for income taxes under FASB ASC 740 – *Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations. The Company has included its $800 minimum franchise fee in its provision for income taxes for the years August 31, 2012 and 2011.

Foreign Currency Translation

The Company accounts for foreign currency translation of its wholly owned subsidiary, Location Based Technologies, Ltd., pursuant to FASB ASC 830 – *Foreign Currency Matters*. The functional currency of Location Based Technologies, Ltd. is the British Pound Sterling. All assets and liabilities of Location Based Technologies, Ltd. are translated into United States Dollars using the current exchange rate at the end of each period. Revenues and expenses are translated using the average exchange rates prevailing throughout the respective periods. Certain transactions of the Location Based Technologies, Ltd. are denominated in United States dollars. Translation gains or losses related to such transactions are recognized for each reporting period in the related consolidated statements of operations.

Earnings/ Loss Per Share

The Company computes basic earnings (loss) per share using the weighted average number of common shares outstanding during the period in accordance with FASB ASC 260 – *Earnings Per Share,* which specifies the compilation, presentation, and disclosure requirements for income per share for entities with publicly held common stock or instruments which are potentially common stock.

Diluted earnings (loss) per share are computed using the weighted average number of common shares outstanding and the dilutive potential common shares outstanding during the period. Dilutive potential common shares primarily consist of stock options and warrants issued by the Company. These potential common shares are excluded from diluted loss per share as their effect would be anti-dilutive.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which amends ASC Topic 820, *Fair Value Measurement*. The purpose of ASU 2011-04 is to clarify the intent about the application of existing fair value measurement and disclosure requirements and to change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The Company did not have a material impact to its consolidated financial statements implementing the provisions of ASU 2011-04.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which amends ASC Topic 220, *Comprehensive Income*. The objective of ASU 2011-05 is to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The update will require entities to present items of net income, items of other comprehensive income and total comprehensive income in one continuous statement or two separate consecutive statements, and entities will no longer be allowed to present items of other comprehensive income in the statement of stockholders' equity. Reclassification adjustments between other comprehensive income and net income will be presented separately on the face of the financial statements. The Company does not expect the provisions of ASU 2011-05 to have a material impact to its consolidated financial statements.

In August 2011, the FASB issued ASU 2011-08, *Intangibles — Goodwill and Other,* which amends ASC Topic 350, *Intangibles — Goodwill and Other*. The purpose of ASU 2011-08 is to simplify how an entity tests goodwill for impairment. Entities will assess qualitative factors to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. In instances where the fair value is determined to be less than the carrying value, entities will perform the two-step quantitative goodwill impairment test. The Company does not expect the provisions of ASU 2011-08 to have a material impact to its consolidated financial statements.

Consolidated Balance Sheets (Parentheticals) (USD $)	Aug. 31, 2012	Aug. 31, 2011
Preferred stock, par value (in Dollars per share)	$ 0.001	$ 0.001
Preferred stock, shares authorized	10,000,000	10,000,000
Preferred stock, no shares issued	0	0
Preferred stock, no shares outstanding	0	0
Common stock, par value (in Dollars per share)	$ 0.001	$ 0.001
Common stock, shares authorized	300,000,000	300,000,000
Common stock, shares issued	197,861,157	191,570,055
Common stock, shares outstanding	197,861,157	191,570,055

Note 11 - Provision for Income Taxes	12 Months Ended Aug. 31, 2012
Income Tax Disclosure [Text Block]	11. **PROVISION FOR INCOME TAXES**

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences arise from the difference between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates on the date of enactment.

The Company did not provide any current or deferred U.S. federal income taxes or benefits for any of the periods presented because the Company has experienced operating losses since inception. The Company provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carry forwards, because management has determined that it is more likely than not that we will not earn sufficient income to realize the deferred tax assets during the carry forward period.

The components of the Company’s deferred tax asset as of August 31, 2012 and 2011, are as follows:

	August 31, 2012	August 31, 2011
Net operating loss carry forward and deductible temporary differences	$ 14,762,000	11,152,000
Valuation allowance	(14,762,000)	$(11,152,000)
Net deferred tax asset	$ -	$ -

A reconciliation of the combined federal and state statutory income taxes rate and the effective rate is as follows:

	August 31, 2012	August 31, 2011
Federal tax at statutory rate	34.00%	34.00%
State income tax net of federal benefit	5.83%	5.83%
Valuation allowance	(39.83%)	(39.83%)
	-	-

The Company’s valuation allowance increased by $3,610,000 for the year ended August 31, 2012.

As of August 31, 2012, the Company had federal and state net operating loss carryforwards of approximately $37,063,000 which can be used to offset future federal income tax. The federal and state net operating loss carryforwards expire at various dates through 2032. Deferred tax assets resulting from the net operating losses are reduced by a valuation allowance, when, in the opinion of management, utilization is not reasonably assured. These carryforwards may be limited upon a change in ownership or consummation of a business combination under IRC Sections 381 and 382.

As of August 31, 2012 and 2011, no accrued interest and penalties are recorded relating to uncertain tax positions. Any such interest and penalties would be included in interest expense as a component of pre-tax net income or loss. The Company's tax filings are no longer open to examination by the Internal Revenue Service for tax years prior to 2008 and by state taxing authorities for tax years prior to 2007.

Document And Entity Information (USD $)	12 Months Ended Aug. 31, 2012	Nov. 16, 2012	Feb. 28, 2012
Document and Entity Information [Abstract]			
Entity Registrant Name	Location Based Technologies, Inc.		
Document Type	10-K		
Current Fiscal Year End Date	--08-31		
Entity Common Stock, Shares Outstanding		200,599,622	
Entity Public Float			$ 37,595,273
Amendment Flag	true		
Amendment Description	This Amendment No. 1 on Form 10-K/A is being filed to restate the Company’s financial statements to the Annual Report on Form 10-K for the period ended August 31, 2012 of Location Based Technologies, Inc. (the “Company”) filed with the Securities and Exchange Commission on November 29, 2012 (the “Original Form 10-K”). Amendment No. 1 is being filed to restate revenue and cost of revenue for PocketFinder devices sold to our main distributor due to an accounting error and change in accounting policy. Revenues are recognized in accordance with Staff Accounting Bulletin (“SAB”) No. 101, Revenue Recognition in Financial Statements, as amended by SAB No. 104, Revenue Recognition. We have reevaluated the factors that we used to determine revenue recognition for devices sold to our distributor and concluded that it is appropriate to restate revenue and cost of revenue for year ended August 31, 2012. Other related accounts affected include allowance for sales returns, deferred revenue, inventory purchase commitment, device revenue and cost of revenue. We are also amending Footnote 1 “Nature of Operations and Summary of Significant Accounting Policies” and Item 2 “Management's Discussion and Analysis of Financial Condition and Results of Operations” to reflect changes to the financial statements as a result of the restatement.		
Entity Central Index Key	0001383196		
Entity Current Reporting Status	Yes		
Entity Voluntary Filers	No		
Entity Filer Category	Smaller Reporting Company		
Entity Well-known Seasoned Issuer	No		

Document Period End Date	Aug. 31, 2012
Document Fiscal Year Focus	2012
Document Fiscal Period Focus	FY

Note 12 - Subsequent Events

12 Months Ended
Aug. 31, 2012

Subsequent Events [Text Block]

12. SUBSEQUENT EVENTS

On September 7, 2012, the Company issued 750,000 shares of common stock to a consultant for business development services valued at $172,500 on the award date.

On September 10, 2012, the Company entered into an unsecured convertible promissory note agreement with a board member for $200,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 30, 2013. 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 the Company's common stock on the basis of $0.20 per share. In addition, on November 28, 2012, the Company issued 400,000 shares of common stock valued at $88,000 on the award date in connection with this debt issuance.

On September 11, 2012, the Company issued 360,000 shares of common stock for the partial conversion of a promissory note amounting to $57,773.

On September 16, 2012, the Company did not extend the due date of the $555,000 Promissory Note Agreement with JMJ Financial. As such, the Company is in default in the payment of the principal and unpaid accrued interest and the note holder is able to convert unpaid principal and accrued interest into shares of the Company's common stock.

On September 27, 2012, the Company issued 500,000 shares of common stock for the partial conversion of a promissory note amounting to $65,320.

On October 15, 2012, the Company issued a "Series Y" warrant to purchase 500,000 common shares at $0.20 per share to a consultant in exchange for accounting advisory services provided to the Company. The warrant expires on October 15, 2017. The fair value of the warrants using the Black-Scholes option pricing model amounted to $99,873.

On October 31, 2012, the Company issued 628,465 shares of common stock for the partial conversion of a promissory note and accrued interest amounting to $85,471.

On November 1, 2012, the Company did not extend the due date of the $550,000 promissory note agreement with JMJ Financial. As such, the Company is in default in the payment of the principal and unpaid accrued interest and the note holder is able to convert unpaid principal and accrued interest into shares of the Company's common stock.

On November 1, 2012, the Company entered into two unsecured convertible promissory note agreements with two board members for $150,000. Under the terms of the promissory note agreements, principal and any unpaid interest shall be repaid by November 1, 2013. The notes bear interest at 10% per annum. At the option of the note holders, the notes may be converted, in whole or in part, into shares of the Company's common stock on the basis of $0.20 per share. In addition, on November 28, 2012, the Company issued 150,000 shares of common stock valued at $25,500 on the award date in connection with this debt issuance.

On November 7, 2012, the Company issued 500,000 shares of common stock to a consultant for business development services valued at $105,000 on the award date.

On November 19, 2012, but effective as of October 5, 2012, the Company entered into a Fourth Amendment to Loan and Security Agreement ("Fourth Amendment") with Silicon Valley Bank for the $1,000,000 line of credit to extend the maturity date to October 5, 2013, to amend the interest rate and to waive existing and pending defaults for failing to comply with certain financial covenants.

On November 28, 2012, the Company issued 200,000 shares of common stock to four of the Company's directors in exchange for serving on the board of directors. The shares were valued at $42,000, which represents the fair market value of the services provided on the award date.

On November 28, 2012, the Company issued 50,000 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $7,500, which represents the fair market value of the services provided on the award date.

On November 28, 2012, the Company entered into a Securities Purchase Agreement and related Secured Convertible Promissory Note ("Note") for $1,000,000. Under the terms of the Note, $1,000,000 of principal and unpaid interest shall be repaid by April 13, 2013. The note bears interest at 8% per annum. At the option of the note holder, the note may be converted, in whole or in part, into shares of the Company's common stock on the basis of $0.20 per share. In addition, the Company agreed to issue 500,000 shares of common stock valued at $75,000 on the award date in connection with this debt issuance.

On November 1, 2012, the Company entered into an unsecured convertible promissory note agreement with Dave Meyers, a board member, for $100,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by November 1, 2013. 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 our common stock on the basis of $0.20 per share.

Consolidated Statements of Operations (USD $)	12 Months Ended	
	Aug. 31, 2012	Aug. 31, 2011
Net revenue		
Devices	$ 835,025	$ 10,288
Services	113,085	6,681
Total net revenue	948,110	16,969
Cost of revenue		
Devices	455,028	6,671
Services	278,700	10,314
Other	1,370,335	8,201
Total cost of revenue	2,104,063	25,186
Gross loss	(1,155,953)	(8,217)
Operating expenses		
General and administrative	1,616,139	780,166
Officer compensation	1,232,233	540,000
Professional fees	2,079,583	1,569,677
Rent	76,478	154,314
Research and development	522,380	514,147
Salaries and wages	391,249	
Total operating expenses	5,918,062	3,558,304
Net operating loss	(7,074,015)	(3,566,521)
Other income (expense)		
Financing costs	(276,220)	(2,937,771)
Amortization of beneficial conversion feature	(33,889)	(321,167)
Amortization of deferred financing costs	(458,500)	(120,168)
Interest income (expense), net	(453,786)	(592,011)
Gain on debt settlement	580,598	
Loss on asset disposals	(246,768)	
Loss on inventory purchase commitment		(685,500)
Foreign currency gain (loss), net	(105)	1,233
Total other income (expense)	(888,670)	(4,655,384)
Net loss before income taxes	(7,962,685)	(8,221,905)
Provision for income taxes	800	800
Net Loss	(7,963,485)	(8,222,705)
Accumulated Deficit:		
Balance, beginning of period	(37,051,630)	(28,828,925)
Balance, end of period	$ (45,015,115)	$ (37,051,630)
Basic - Earnings (loss) per share (in Dollars per share)	$ (0.04)	$ (0.07)
Basic - Weighted Average Number of Shares Outstanding (in Shares)	193,281,099	121,702,626

Note 6 - Convertible Notes Payable	12 Months Ended Aug. 31, 2012
Convertible Notes Payable [Text Block]	

6. **CONVERTIBLE NOTES PAYABLE**

$625,000 Senior Secured Promissory Note

On November 18, 2008, the Company entered into a senior secured promissory note agreement for $625,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by February 18, 2009, or upon a minimum of $1,500,000 being raised by the Company. The note bears interest at 12% per annum and may be repaid at any time before the repayment date, in part or in full, without penalty, and is secured by common stock personally owned by an officer of the Company. In addition, the Company issued 50,000 shares of common stock valued at $55,000 on the date of issuance.

On January 30, 2009, the promissory note agreement was extended for an additional three months ("First Extension") and due on May 18, 2009. As consideration for the First Extension, the Company issued an additional 50,000 shares of common stock valued at $47,000 on the date of issuance.

On May 7, 2009, the promissory note agreement was extended for an additional three months ("Second Extension") and due on August 18, 2009. As consideration for the Second Extension, the Company issued an additional 50,000 shares of common stock valued at $32,000 on the date of issuance.

On August 20, 2009, the promissory note agreement was extended for an additional three months ("Third Extension") and due on November 18, 2009. As consideration for the Third Extension, the Company issued an additional 25,000 shares of common stock valued at $20,500 on the award date.

In connection with the Third Extension, a conversion feature was added whereby the outstanding principal and unpaid accrued interest may be converted, at any time, in whole or in part, into shares of the Company's common stock on the basis of $0.65 per share. The conversion rate of $0.65 per share was below the market value of $0.82 per share resulting in a beneficial conversion feature in the amount of $163,462, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note extension.

On August 27, 2009, in accordance with the Third Extension, the Company converted $52,603 of interest accrued through July 31, 2009, into 80,927 shares of the Company's common stock on the basis of $0.65 per share.

In June 2010, common shares personally owned by a Company officer which had been pledged as collateral for this note were surrendered to the note holder.

On February 22, 2012, the Company entered into a Settlement Agreement and General Release resulting in full satisfaction of the note payable balance and accrued interest totaling $625,000 and $146,737, respectively.

$100,000 Senior Secured Promissory Note

On May 7, 2009, the Company entered into a senior secured promissory note agreement for $100,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 18, 2009, or upon a minimum of $1,500,000 being raised by the Company. The note bears interest at 12% per annum and may be repaid at any time before the repayment date, in part or in full, without penalty, and is secured by common stock personally owned by an officer of the Company. In addition, the Company issued 50,000 shares of common stock valued at $32,000 on the date of issuance.

On August 20, 2009, the promissory note agreement was extended for an additional three months ("First Extension") and due on November 18, 2009. As consideration for the First Extension, the Company issued an additional 25,000 shares of common stock valued at $20,500 on the award date.

In connection with the First Extension, a conversion feature was added whereby the outstanding principal and unpaid accrued interest may be converted, at any time, in whole or in part, into shares of the Company's common stock on the basis of $0.65 per share.

The conversion rate of $0.65 per share was below the market value of $0.82 per share resulting in a beneficial conversion feature in the amount of $26,154, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note extension.

On August 27, 2009, in accordance with the First Extension, the Company converted $2,827 of interest accrued through July 31, 2009, into 4,350 shares of the Company's common stock on the basis of $0.65 per share.

On February 22, 2012, the Company entered into a Settlement Agreement and General Release resulting in full satisfaction of the note payable balance and accrued interest totaling $100,000 and $21,352, respectively.

$25,000 Promissory Note

On June 28, 2011, the Company 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 June 27, 2012. 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 the Company's common stock on the basis of $0.25 per share. On June 27, 2012, the promissory note agreement was extended for an additional six months and is due on December 27, 2012.

As of August 31, 2012, the note payable balance and accrued interest totaled $25,000 and $2,925, respectively.

JMJ Financing

On March 16, 2012, the Company entered into a Securities Purchase Agreement ("SPA") for $500,000 pursuant to which the Company entered into a Promissory Note Agreement ("Note") for $555,000 consisting of $500,000 of principal and $55,000 of prepaid interest, and "V warrants" to purchase 869,565 shares of the Company's common stock. Under the terms of the Note, $555,000 of principal and interest shall be repaid by September 16, 2012. If the loan is repaid within the first 90 days, no additional interest shall be charged. If the Company extends the loan beyond the first 90 days, an additional 12% interest shall be charged for the next 90 days. The Note contains a maturity date default provision whereby the greater of a predetermined conversion amount or 130% of the principal and 100% of the accrued interest is due if the note is not repaid by the due date. The Note can be converted into the Company's common stock at the end of the term only if the principal and interest are not repaid based upon the conversion price formula. The warrants permit for the purchase of 869,565 shares of common stock at $0.23 per share. The warrants expire on March 16, 2017. Under the terms of the SPA, $200,000 was allocated for the purchase of the warrants and the remaining $300,000 was allocated for the Note. As of August 31, 2012, the note payable balance and accrued interest totaled $555,000 and $66,600, respectively.

On April 18, 2012, the Company entered into a Promissory Note Agreement ("Note") for $620,000 consisting of $560,000 of principal and $60,000 of prepaid interest. Under the terms of the Note, $620,000 of principal and interest shall be repaid by July 18, 2012. The Note contains a maturity date default provision whereby the greater of a predetermined conversion amount or 130% of the principal and 100% of the accrued interest is due if the note is not repaid by the due date. The Note can be converted into the Company's common stock at the end of the term only if the principal and interest are not repaid based upon the conversion price formula. During the year ended August 31, 2012, $310,000 of the principal balance was repaid and $120,036 was converted into 600,000 shares of the Company's common stock. The due date of July 18, 2012 was not extended, and therefore, the Company is in default in the payment of the principal and unpaid accrued interest. As of August 31, 2012, the note payable balance and prepaid interest totaled $189,964 and $18,600, respectively.

On May 1, 2012, the Company entered into a Securities Purchase Agreement ("SPA") for $500,000 pursuant to which the Company entered into a Promissory Note Agreement ("Note") for $550,000 consisting of $500,000 of principal and $50,000 of prepaid interest, and "W warrants" to purchase 1,086,957 shares of the Company's common stock. Under the terms of the Note, $550,000 of principal and interest shall be repaid by November 1, 2012. If the loan is repaid within the first 90 days, no additional interest shall be charged. If the Company extends the loan beyond the first 90 days, an additional 12% interest shall be charged for the next 90 days. The Note contains a maturity date default provision whereby the greater of a predetermined conversion amount or 130% of the principal and 100% of the accrued interest is due if the note is not repaid by the due date.

The Note can be converted into the Company's common stock at the end of the term only if the principal and interest are not repaid based upon the conversion price formula. The warrants permit for the purchase of 1,086,957 shares of common stock at $0.23 per share. The warrants expire on May 1, 2017. Under the terms of the SPA, $250,000 was allocated for the purchase of the warrants and the remaining $250,000 was allocated for the Note. As of August 31, 2012, the note payable balance and prepaid interest totaled $550,000 and $66,000, respectively.

$300,000 Unsecured Convertible Promissory Note

On June 28, 2012, the Company entered into an unsecured convertible promissory note agreement for $300,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by June 28, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.42 per share resulting in a beneficial conversion feature in the amount of $120,000, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $21,370 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $201,370 and $5,342, respectively.

$50,000 Unsecured Convertible Promissory Note

On July 9, 2012, the Company entered into an unsecured convertible promissory note agreement for $50,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 9, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.41 per share resulting in a beneficial conversion feature in the amount of $18,333, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $2,712 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $34,379 and $740, respectively.

$25,000 Unsecured Convertible Promissory Note

On July 9, 2012, the Company entered into an unsecured convertible promissory note agreement for $25,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 9, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.41 per share resulting in a beneficial conversion feature in the amount of $9,167, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $1,356 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $17,189 and $370, respectively.

$27,500 Unsecured Convertible Promissory Note

On July 9, 2012, the Company entered into an unsecured convertible promissory note agreement for $27,500. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 9, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.41 per share resulting in a beneficial conversion feature in the amount of $10,083, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $1,492 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $18,908 and $407, respectively.

$50,000 Unsecured Convertible Promissory Note

On July 13, 2012, the Company entered into an unsecured convertible promissory note agreement for $50,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 13, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.40 per share resulting in a beneficial conversion feature in the amount of $16,667, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $2,283 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $35,616 and $685, respectively.

$100,000 Unsecured Convertible Promissory Note

On July 13, 2012, the Company entered into an unsecured convertible promissory note agreement for $100,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by July 13, 2013. 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 the Company's common stock on the basis of $0.30 per share.

The conversion rate of $0.30 per share was below the market value of $0.40 per share resulting in a beneficial conversion feature in the amount of $33,333, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $4,566 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $71,233 and $1,370, respectively.

$200,000 Unsecured Convertible Promissory Note

On August 30, 2012, the Company entered into an unsecured convertible promissory note agreement for $200,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 30, 2013. 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 the Company's common stock on the basis of $0.20 per share.

The conversion rate of $0.20 per share was below the market value of $0.22 per share resulting in a beneficial conversion feature in the amount of $20,000, recognized as a discount from the face amount of the convertible note payable and amortized over the term of the note. Amortization expense related to this beneficial conversion feature amounted to $110 for the year ended August 31, 2012.

As of August 31, 2012, the note payable balance, net of the unamortized beneficial conversion feature, and accrued interest totaled $180,110 and $55, respectively.

Note 5 - Note Payable	12 Months Ended Aug. 31, 2012
Debt Disclosure [Text Block]	5. **NOTE PAYABLE**

$500,000 Promissory Note

On January 17, 2012, the Company entered into a promissory note agreement for $500,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by April 16, 2012. The note bears interest at 12% or $60,000 for 90 days. In addition, the Company issued 200,000 shares of common stock valued at $56,000 on the award date.

As of August 31, 2012, the note payable balance and interest totaling $560,000 was repaid.

Note 10 - Stock Options and Warrants (Tables)	12 Months Ended Aug. 31, 2012			
	Series	Number of Shares	Exercise Price	Expiration
Schedule of Stockholders' Equity Note, Warrants or Rights [Table Text Block]	C	120,000	$2.00	6/2/2013
	N	32,468	$0.88	9/14/2012
	O	68,671	$0.77	9/15/2012
	P	410,448	$0.67	11/24/2012
	Q	20,000	$0.75	11/2/2012
	R	215,000	$0.68	12/16/2014

Note 13 - Restatement

12 Months Ended Aug. 31, 2012

Accounting Changes and Error Corrections [Text Block]

13. RESTATEMENT

The Company's consolidated financial statements for the year ended August 31, 2012, were amended to restate revenue and cost of revenue for PocketFinder® devices sold to our main distributor due to an accounting error and change in accounting policy. We originally reported device sales revenue from the sales of PocketFinder® products upon delivery to distributors. Reductions to revenue for product held at distributors were recognized as deferred revenue until product was "sold through" to retailers. We reevaluated the factors that we used to determine revenue recognition for devices sold to our main distributor and concluded that it was appropriate to restate revenue and cost of revenue for year ended August 31, 2012. Other related accounts affected include allowance for sales returns, deferred revenue, inventory purchase commitment, device revenue and cost of revenue.

	As Reported	Difference	As Restated
Consolidated Balance Sheet			
Accounts receivable, net	$ 222,616	$ (34,343)	$ 188,273
Total current assets	2,769,051	(34,343)	2,734,708
Total assets	5,521,641	(34,343)	5,487,298
Deferred revenue	401,941	(385,402)	16,539
Inventory purchase commitment	430,700	(382,646)	48,054
Total liabilities	6,183,207	(768,048)	5,415,159
Accumulated deficit	(45,748,820)	733,705	(45,015,115)
Total stockholders' equity (deficit)	(661,566)	733,705	72,139
Total liabilities and stockholder's equity (deficit)	5,521,641	(34,343)	5,487,298
Consolidated Statement of Operations			
Net revenue - devices	483,966	351,059	835,025
Total net revenue	597,051	351,059	948,110
Cost of revenue - other	1,752,981	(382,646)	1,370,335
Total cost of revenue	2,486,709	(382,646)	2,104,063
Gross loss	(1,889,658)	(733,705)	(1,155,953)
Net loss	(8,697,190)	(733,705)	(7,963,485)
Consolidated Statement of Cash Flows			
Net loss	(8,697,190)	(733,705)	(7,963,485)
Recognition of loss on inventory purchase commitment	(254,800)	(382,646)	(637,446)
Change in accounts receivable	(222,616)	(34,343)	(188,273)
Change in deferred revenue	401,941	(385,402)	16,539

Note 9 - Equity	12 Months Ended Aug. 31, 2012
Stockholders' Equity Note Disclosure [Text Block]	**9. EQUITY**

Common Stock (Reflects 3 for 1 stock split distributed October 20, 2008)

On October 13, 2008, the Board of Directors declared a 3 for 1 stock split to be effected in the nature of a 200% stock dividend, whereby the holders of each share of common stock received an additional two shares of common stock. The record date for the stock dividend was October 20, 2008 and resulted in the issuance of an additional 58,061,276 (pre-split) shares of common stock. In addition, the Company's articles of incorporation were amended to increase its authorized shares in an amount that corresponds to the stock split, thereby increasing the authorized shares of common stock from 100,000,000 to 300,000,000. Unless otherwise indicated, all share and per-share amounts in these financial statements have been retroactively restated to reflect the 3 for 1 stock split as if the split had been in effect since inception.

In September 2010, the Company issued 250,000 shares of common stock in connection with a note payable issuance. The shares were valued at $25,000, which represents the fair market value of the note payable issuance costs on the award date.

In September 2010, the Company issued 500,000 shares of common stock in exchange for business development and capital raising advisory services. The shares were valued at $130,000, which represents the fair market value of the services provided on the award date.

In October 2010, the Company issued 200,000 shares of common stock in connection with a note payable issuance and extension. The shares were valued at $22,000, which represents the fair market value of the note payable issuance and extension costs on the award date.

In October 2010, the Company issued 200,000 shares of common stock in connection with a debt issuance. The shares were valued at $22,000, which represents the fair market value of the debt issuance costs on the award date.

In October 2010, the Company issued 400,000 shares of common stock in connection with debt issuances. The shares were valued at $48,000, which represents the fair market value of the debt issuance costs on the award date.

In December 2010, the Company issued 25,000 shares of common stock in connection with a note payable extension. The shares were valued at $3,500, which represents the fair market value of note payable extension costs on the award date.

In December 2010, the Company issued 150,000 shares of common stock in connection with a note payable issuance. The shares were valued at $39,000, which represents the fair market value of the note payable issuance costs on the award date.

In December 2010, the Company issued 54,480 shares of common stock in exchange for the cancellation of 54,480 “Series D” and “Series E” warrants.

In December 2010, the Company issued 3,500,000 shares of common stock for the conversion of two promissory notes totaling $700,000. The promissory notes were converted on the basis of $0.20 per share. In addition, 500,000 shares of common stock were issued in connection with the conversion in accordance with the promissory note agreement and were valued at $100,000, which represents the fair market value of the debt conversion costs on the award date.

In December 2010, the Company issued 60,000 shares of common stock in exchange for consulting services related to sales and business development services. The shares were valued at $10,200, which represents the fair market value of the services provided on the award date.

In December 2010, the Company issued 100,000 shares of common stock in exchange for accounting related advisory services. The shares were valued at $17,000, which represents the fair market value of the services provided on the award date.

In December 2010, the Company issued 500,000 shares of common stock in exchange for business development and capital raising advisory services. The shares were valued at $130,000, which represents the fair market value of the services provided on the award date.

In December 2010, the Company issued 285,714 shares of common stock in exchange for business development and sales representative services. The shares were valued at $40,000, which represents the fair market value of the services provided on the award date.

In February 2011, the Company issued 3,000,000 shares of common stock in exchange for public relations advisory services. The shares were valued at $600,000, which represents the fair market value of the services provided on the award date.

In February 2011, the Company issued 669,932 shares of common stock for the conversion of two promissory notes and accrued interest totaling $130,000 and $3,986, respectively. The promissory notes and accrued interest were converted on the basis of $0.20 per share.

In March 2011, the Company issued 200,000 shares of common stock in connection with note payable extensions. The shares were valued at $34,000, which represents the fair market value of note payable extension costs on the award date.

In March 2011, the Company issued 1,079,863 shares of common stock for the conversion of two promissory notes and accrued interest totaling $200,000 and $15,973, respectively. The promissory notes and accrued interest were converted on the basis of $0.20 per share.

In April 2011, the Company issued 500,000 shares of common stock in exchange for business development and capital raising advisory services. The shares were valued at $80,000, which represents the fair market value of the services provided on the award date.

In April 2011, the Company issued 321,429 shares of common stock in exchange for business development and sales representative services. The shares were valued at $45,000, which represents the fair market value of the services provided on the award date.

In April 2011, the Company issued 500,000 shares of common stock in connection with two Letter of Intent for Employment Agreements. The shares were valued at $85,000, which represents the fair market value of the services provided on the award date.

In April 2011, the Company issued 50,000 shares of common stock in exchange for accounting related advisory services. The shares were valued at $7,500, which represents the fair market value of the services provided on the award date.

In May 2011, the Company issued 20,000 shares of common stock in exchange for sales advisory services. The shares were valued at $3,200, which represents the fair market value of the services provided on the award date.

In May 2011, the Company issued 250,000 shares of common stock in exchange for business development and capital raising advisory services. The shares were valued at $40,000, which represents the fair market value of the services provided on the award date.

In May 2011, the Company issued 100,000 shares of common stock in connection with a note payable extension. The shares were valued at $19,000, which represents the fair market value of note payable extension costs on the award date.

In July 2011, the Company issued 4,318,750 shares of common stock in exchange for the conversion of $500,000 in related party advances from an officer and $363,750 of deferred officer compensation. The officer advances and deferred officer compensation were converted on the basis of $0.20 per share.

In July 2011, the Company issued 2,000,000 shares of common stock to two consultants in exchange for business development and sales representative services. The shares were valued at $440,000, which represents the fair market value of the services provided on the award date.

In July 2011, the Company issued 1,229,559 shares of common stock for the conversion of five promissory notes and accrued interest totaling $227,498 and $18,414, respectively. The promissory notes and accrued interest were converted on the basis of $0.20 per share.

In July 2011, the Company issued 150,000 shares of common stock for the conversion of accounts payable totaling $30,000. The accounts payable were converted on the basis of $0.20 per share.

In July 2011, the Company issued 65,000 shares of common stock to two consultants in exchange for consulting services related to technology development and accounting related advisory services. The shares were valued at $12,350, which represents the fair market value of the services provided on the award date.

In July 2011, the Company issued 400,000 shares of common stock to a consultant in exchange for business development and sales representative services and for the cancellation of 28,410 previously issued "Series H" warrants and 186,567 previously issued "Series P" warrants. The shares were valued at $100,000, which represents the fair market value of the services provided on the award date.

In July 2011, the Company issued 35,000 shares of common stock to a consultant in exchange for the cancellation of 25,000 previously issued "Series R" warrants.

In July 2011, the Company performed a private placement with certain investors and issued 50,000,000 shares of the Company's common stock at a purchase price of $0.20 per share for cash proceeds of $8,322,412, net of offering costs of $1,677,588.

In August 2011, the Company issued 50,000 shares of common stock to a consultant in exchange for the cancellation of 20,408 previously issued "Series G" warrants.

In August 2011, the Company issued 597,165 shares of common stock in exchange for the conversion of $105,433 in accrued interest on advances from an officer and $14,000 of deferred officer compensation. The accrued interest on advances and deferred officer compensation were converted on the basis of $0.20 per share.

In August 2011, the Company issued 1,200,000 shares of common stock for the conversion of accrued finder's fees and accounts payable totaling $281,109. The accrued finder's fees and accounts payable were converted on the basis of $0.20 per share.

In August 2011, the Company issued 10,785,891 shares of common stock for the conversion of sixteen promissory notes and accrued interest totaling $1,965,000 and $192,178, respectively. The promissory notes and accrued interest were converted on the basis of $0.20 per share.

In December 2011, the Company issued 250,000 shares of common stock to a consultant in exchange for consulting services related to business development. The shares were valued at $90,000, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 150,000 shares of common stock to three consultants in exchange for consulting services related to technology development. The shares were valued at $54,000, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 90,278 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $32,500, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 50,000 shares of common stock to a consultant in exchange for legal advisory services. The shares were valued at $18,000, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 50,000 shares of common stock to a consultant and related party in exchange for customer service related advisory services. The shares were valued at $18,000, which represents the fair market value of the services provided on the award date.

In December 2011, the Company issued 100,000 shares of common stock to an employee in accordance with an employment agreement. The shares were valued at $36,000, which represents the fair market value of the services provided on the award date.

In February 2012, the Company issued 200,000 shares of common stock to four of the Company's directors in exchange for serving on the board of directors. The shares were valued at $94,000, which represents the fair market value of the services provided on the award date.

In February 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date.

In February 2012, the Company issued 26,786 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $7,500, which represents the fair market value of the services provided on the award date.

In April 2012, the Company issued 200,000 shares of common stock in connection with a note payable issuance. The shares were valued at $56,000, which represents the fair market value of the note payable issuance costs on the award date.

In May 2012, the Company issued 24,359 shares of common stock in connection with a cashless exercise of 50,000 "Series T" warrants at an exercise price of $0.20 per share.

In May 2012, the Company issued 25,000 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $8,500, which represents the fair market value of the services provided on the award date.

In May 2012, the Company issued 100,000 shares of common stock to a consultant in exchange for consulting services related to business development. The shares were valued at $37,000, which represents the fair market value of the services provided on the award date.

In May 2012, the Company issued 50,000 shares of common stock to three consultants in exchange for consulting services related to technology development. The shares were valued at $18,500, which represents the fair market value of the services provided on the award date.

In June 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date.

In June 2012, the Company issued 27,391 shares of common stock in connection with a cashless exercise of 60,000 “Series T” warrants at an exercise price of $0.20 per share.

In July 2012, the Company issued 350,000 shares of common stock for the partial conversion of a promissory note amounting to $77,476. The promissory note was converted on the basis of $0.22 per share.

In August 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date.

In August 2012, the Company issued 250,000 shares of common stock for the partial conversion of a promissory note amounting to $42,560. The promissory note was converted on the basis of $0.17 per share.

In August 2012, the Company issued 1,097,288 shares of common stock for the conversion of accrued finder’s fees and accounts payable totaling $288,844. The accrued finder’s fees and accounts payable were converted on the basis of $0.26 per share.

In August 2012, the Company issued 200,000 shares of common stock to four of the Company’s directors in exchange for serving on the board of directors. The shares were valued at $48,000, which represents the fair market value of the services provided on the award date.

In August 2012, the Company issued 50,000 shares of common stock to a consultant in exchange accounting related advisory services. The shares were valued at $12,000, which represents the fair market value of the services provided on the award date.

<u>Prepaid Services Paid In Common Stock</u>

In August 2012, the Company issued 1,000,000 shares of common stock to a consultant for business development and sales representative services valued at $300,000 on the award date to be amortized from August 1, 2012 to July 31, 2013. Unamortized prepaid services paid in common stock related to such stock issuance amounted to $275,000 at August 31, 2012.

Warrants

Warrants to purchase up to 8,958,302 shares of the Company's common stock are outstanding at August 31, 2012 (see Note 10).

Stock Incentive Plan

On January 12, 2012, the board of directors adopted the Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan"). The aggregate number of shares of common stock that may be issued under the 2007 Plan is 20,000,000 and such shares are reserved for issuance out of the authorized but previously unissued shares. Employees, service providers and non-employee directors of the Company and its affiliates are eligible to receive non-statutory stock options, incentive stock options, restricted stock and stock appreciation rights. The 2007 Plan will continue until the earlier of the termination of the 2007 Plan by the board of directors or ten years after the effective date.

The 2007 Plan is administered by the Company's compensation committee made up of three non-executive directors. The compensation committee may determine the specific terms and conditions of all awards granted under the 2007 Plan, including, without limitation, the number of shares subject to each award, the price to be paid for the shares and the vesting criteria, if any. The compensation committee has discretion to make all determinations necessary or advisable for the administration of the 2007 Plan.

There were 18,500,000 incentive stock options granted under the 2007 Plan during the year ended August 31, 2012.

Note 7 - Line of Credit	12 Months Ended Aug. 31, 2012
Line of Credit Facility, Description	**7. LINE OF CREDIT**

7. **LINE OF CREDIT**

On January 5, 2011, the Company entered into a Loan and Security Agreement (“Loan Agreement”) with Silicon Valley Bank for a $1,000,000 non-formula line of credit. The principal amount outstanding under the credit line accrues interest at a floating per annum rate equal to the greater of (i) the Prime Rate, plus 2.5% or (ii) 6.5% and is to be paid monthly. The principal is due at maturity on January 5, 2012. The Company must maintain certain financial covenants under the Loan Agreement. The personal guarantor for the credit line is a director and stockholder of the Company.

In accordance with the Loan Agreement, Silicon Valley Bank earned a success fee equal to 6% warrant coverage of the credit line or $60,000 divided by a $0.20 share price upon the Company successfully raising new capital or equity in excess of $2,000,000. The warrant is valid for five years from the time of issuance (see Note 10).

On August 24, 2011, the Company entered into a First Amendment to Loan and Security Agreement (“First Amendment”) to waive existing and pending defaults for failing to comply with certain financial covenants. On February 3, 2012, the Company entered into a Second Amendment to Loan and Security Agreement (“Second Amendment”) to extend the maturity date to April 4, 2012 and to waive existing and pending defaults for failing to comply with certain financial covenants. On April 17, 2012, the Company entered into a Third Amendment to Loan and Security Agreement (“Third Amendment”) to extend the maturity date to October 5, 2012 and to waive existing and pending defaults for failing to comply with certain financial covenants.

As of August 31, 2012, the outstanding balance on the line of credit and accrued interest totaled $1,000,000 and $5,597, respectively.

Note 8 - Commitments and Contingencies	12 Months Ended Aug. 31, 2012
Commitments and Contingencies Disclosure [Text Block]	

8. COMMITMENTS AND CONTINGENCIES

Inventory Purchase Commitments

On July 20, 2011, the Company initiated a purchase order to manufacture the first 10,000 PocketFinder® devices. As of August 31, 2011, the Company recognized losses and a related liability from inventory purchase commitments totaling $685,500. The liability from inventory purchase commitments is relieved as the related inventory is sold. As of August 31, 2012, the balance of the liability from inventory purchase commitments amounted to $48,054.

Operating Leases

On May 11, 2011, the Company entered into a lease agreement to lease approximately 4,700 square feet of general office space in Irvine, California, for base rent ranging from $6,199 to $7,193 per month over the 48 month lease term. The lease term is from July 1, 2011 through June 30, 2015.

Total rental expense on operating leases for the years ended August 31, 2012 and 2011 totaled $76,478 and $154,314, respectively.

As of August 31, 2012, the future minimum lease payments are as follows:

For the Years Ending:

August 31, 2013	$ 78,928
August 31, 2014	82,526
August 31, 2015	71,930
Total	$ 233,384

Contingencies

In 2007, the Company sold convertible notes to accredited investors in reliance on an exemption from registration provided by Section 4(2) of the Securities Act and similar state exemptions. Management has been advised by counsel that the availability of those exemptions cannot be determined with legal certainty due to the fact that the Company or its predecessors may not have complied with all of the provisions of exemption safe-harbors for such sales offered by rules promulgated under the Securities Act by the SEC. Thus, it is possible that a right of rescission may exist for shares underlying the convertible notes for which the statute of limitations has not run. From November 2007 through December 2007, all of the convertible notes payable totaling $5,242,000 were converted into 15,726,000 shares of the Company's common stock, and subsequently, some of the shares were sold in the open market. Management has performed an analysis under FAS 5, *Accounting for Contingencies,* and concluded that the likelihood of a right of rescission being successfully enforced on the remaining convertible note shares is remote, and consequently, has accounted for these shares in permanent equity in the financial statements.

On April 5, 2011, Gemini Master Fund, Ltd., filed a complaint for breach of contract against Location Based Technologies for non-payment of outstanding loans. The complaint specifies damages totaling $858,292, plus pre-judgment interest, costs of suit and other relief. The entire amount of the loans plus accrued interest, which together approximate the specified damages, are included in the accompanying financial statements. On June 8, 2011, the Location Based Technologies filed a Cross-Complaint against Gemini Master Fund, Ltd. for monetary damages related to the creditor's disposition of common shares of Location Based Technologies which had been pledged as collateral for the notes. On February 22, 2012, the Company entered into a Settlement Agreement and General Release resulting in full satisfaction of the outstanding loans and accrued interest (see Note 6).

Note 10 - Stock Options and Warrants	12 Months Ended Aug. 31, 2012
Disclosure of Compensation Related Costs, Share-based Payments [Text Block]	10. STOCK OPTIONS AND WARRANTS

Stock Options

On January 12, 2012, the Company granted options under the 2007 Plan to three of the Company's officers to purchase 4,000,000 common shares each for a total of 12,000,000 common shares at $0.31 per share in accordance with the Executive Employment Agreements. Options to purchase shares are vested upon achieving certain milestones under the Executive Employment Agreements. All options vest upon a change of control of the Company. The options expire on January 12, 2017. As of August 31, 2012, there were 1,500,000 options that were vested and presently exercisable. The fair value of such vested options using the Black-Scholes option pricing model amounted to $404,121. No options were exercised as of August 31, 2012.

On March 15, 2012, the Company granted options under the 2007 Plan to two officers of the Company to purchase 2,000,000 common shares at $0.31 per share in accordance with Executive Employment Agreements. Options to purchase shares are vested upon achieving certain milestones under the Executive Employment Agreement. All options vest upon a change of control of the Company. The options expire on March 15, 2017. As of August 31, 2012, there were 250,000 options that were vested and presently exercisable. The fair value of such vested options using the Black-Scholes option pricing model amounted to $57,374. No options were exercised as of August 31, 2012.

On March 15, 2012, the Company granted options under the 2007 Plan to two employees to purchase 4,500,000 common shares at $0.31 per share in accordance with Executive Employment Agreements. Options to purchase shares are vested upon achieving certain milestones under the Executive Employment Agreement. All options vest upon a change of control of the Company. The options expire on March 15, 2017. As of August 31, 2012, there were 812,500 options that were vested and presently exercisable. The fair value of such vested options using the Black-Scholes option pricing model amounted to $186,466. No options were exercised as of August 31, 2012.

In addition to the aforementioned stock options issued during the year ended August 31, 2012, the Company has options outstanding to three of the Company's officers to purchase 6,000,000 common shares each for a total of 18,000,000 common shares at $0.33 per share in accordance with Stock Option Agreements. Options to purchase shares are vested upon the Company achieving a certain number of customers. All options vest upon a change of control of the Company. The options expire 10 years from the vested date. As of August 31, 2012, there were no options that were vested and presently exercisable.

Warrants

On December 17, 2010, the Company issued “Series S” warrants to the Silicon Valley Bank loan personal guarantor to purchase 3,600,000 common shares at $0.20 per share in connection with the Financing Agreement dated December 1, 2010. The warrants expire on December 14, 2015. The fair value of the warrants using the Black-Scholes option pricing model amounted to $926,900. No warrants were exercised as of August 31, 2012.

On December 17, 2010, the Company issued “Series S” warrants to a consultant to purchase 500,000 common shares at $0.20 per share for finder’s fees in connection with a debt issuance. The warrants expire on December 14, 2015. The fair value of the warrants using the Black-Scholes option pricing model amounted to $128,736. No warrants were exercised as of August 31, 2012.

On July 29, 2011, the Company issued "Series T" warrants to purchase 1,787,500 common shares at $0.20 per share to placement agents in connection with the private placement. The warrants expire on July 29, 2016. The fair value of the warrants using the Black-Scholes option pricing model amounted to $837,664. There were 110,000 warrants exercised as of August 31, 2012 (see Note 9).

On August 31, 2011, the Company issued “Series U” warrants to Silicon Valley Bank to purchase 300,000 common shares at $0.20 per share in connection with the private placement success fee. The warrants expire on July 29, 2016. The fair value of the warrants using the Black-Scholes option pricing model amounted to $140,587. No warrants were exercised as of August 31, 2012.

On March 1, 2012, the Company issued “Series X” warrants to a consultant to purchase 57,692 common shares at $0.26 per share for marketing and promotional services provided to the Company. The warrants expire on March 1, 2015. The fair value of the warrants using the Black-Scholes option pricing model amounted to $3,761. No warrants were exercised as of August 31, 2012.

On March 16, 2012, the Company issued “Series V” warrants to JMJ Financial to purchase 869,565 common shares at $0.23 per share for cash proceeds of $200,000 under a Stock Purchase Agreement. The warrants expire on March 16, 2017. No warrants were exercised as of August 31, 2012.

On May 1, 2012, the Company issued “Series W” warrants to JMJ Financial to purchase 1,086,957 common shares at $0.23 per share for cash proceeds of $250,000 under a Stock Purchase Agreement. The warrants expire on May 1, 2017. No warrants were exercised as of August 31, 2012.

In addition to the above, at August 31, 2012, the Company had the following warrants outstanding:

Series	Number of Shares	Exercise Price	Expiration
C	120,000	$2.00	6/2/2013
N	32,468	$0.88	9/14/2012
O	68,671	$0.77	9/15/2012
P	410,448	$0.67	11/24/2012

Q	20,000	$0.75	11/2/2012
R	215,000	$0.68	12/16/2014

Note 7 - Line of Credit (Detail) (USD $)	0 Months Ended												
	Jan. 05, 2011	Nov. 28, 2012	Nov. 19, 2012	Nov. 01, 2012	Aug. 31, 2012	Aug. 31, 2011	Jul. 31, 2011	Jun. 30, 2011	Jun. 28, 2011	Aug. 27, 2009	Aug. 20, 2009	May 07, 2009	Nov. 18, 2008
Line of Credit Facility, Maximum Borrowing Capacity	$ 1,000,000		$ 1,000,000										
Debt Instrument, Interest Rate, Stated Percentage		8.00%		10.00%					10.00%			12.00%	12.00%
Line of Credit Facility, Commitment Fee Percentage	6.00%												
Line of Credit Facility, Commitment Fee Amount	60,000												
Share Price (in Dollars per share)	$ 0.20					$ 0.20	$ 0.20	$ 0.20		$ 0.65	$ 0.82		
New Capital Or Equity Floor	2,000,000												
Warrant Term	5 years												
Line of Credit Facility, Amount Outstanding					1,000,000								
Interest Payable, Current					$ 5,597								
Minimum [Member]													
Debt Instrument, Interest Rate, Stated Percentage	2.50%												
Maximum [Member]													
Debt Instrument, Interest Rate, Stated Percentage	6.50%												

Note 3 - Property and Equipment (Tables)

Property, Plant and Equipment [Table Text Block]

12 Months Ended Aug. 31, 2012

	August 31, 2012	August 31, 2011
Website development costs	$ 1,361,959	$ 1,361,959
Machinery and equipment	55,965	168,024
Computer software (mobile apps)	83,999	101,626
Computer software (internal)	51,263	-
Computer and video equipment	17,632	40,777
Office furniture	24,526	34,800
	1,595,344	1,707,186
Less: accumulated depreciation and impairment adjustment	(1,471,362)	(1,515,331)
Total property and equipment	$ 123,982	$ 191,855

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Detail) (USD $)	1 Months Ended			9 Months Ended	12 Months Ended		
	Aug. 31, 2012	Jun. 30, 2011	Aug. 24, 2007	May 31, 2012	Aug. 31, 2012	Aug. 31, 2011	Aug. 31, 2010
Number of Class A Membership Units			$ 10.9				
Conversion of Stock, Shares Converted (in Shares)		2,500,000	1,635,000			527,165	
Retained Earnings (Accumulated Deficit)	(45,015,115)				(45,015,115)	(37,051,630)	(28,828,925)
Cash, FDIC Insured Amount	250,000				250,000		
Revenue, Net					948,110	16,969	
Percentage of Total Revenue					73.00%		
Accounts Receivable, Net	214,643				214,643		
Percentage of Total Receivables	96.00%						
Allowance for Doubtful Accounts Receivable						304,597	
Inventory, Noncurrent	1,350,000				1,350,000		
Commitments and Contingencies	48,054				48,054	685,500	
Capitalized Software Development Costs for Software Sold to Customers	1,361,959				1,361,959	1,361,959	
Finite-Lived Patents, Gross	1,209,631				1,209,631	1,184,968	
Finite-Lived Trademarks, Gross						59,470	
Amortization of Intangible Assets					7,139	26,900	
Deferred Revenue	16,539				16,539		
Research and Development Expense					522,380	514,147	522,380
Share-based Compensation					647,961		
Initial Franchise Fees				800			
Single Customer [Member]							
Revenue, Net					689,170		
PocketFinder [Member]							
Business Acquisition, Equity Interest Issued or Issuable, Number of Shares (in Shares)			150,000				
Springbank Resources, Inc [Member]							

Business Acquisition, Equity Interest Issued or Issuable, Number of Shares (in Shares)		55,153,500		
Minimum [Member]				
Property, Plant and Equipment, Useful Life			1 year	
Maximum [Member]				
Property, Plant and Equipment, Useful Life			5 years	
Inventories [Member]				
Purchase Obligation	$ 48,054		$ 48,054	$ 685,500

Note 11 - Provision for Income Taxes (Detail) - The Components of the Company’s deferred tax asset are as follows: (USD $)	Aug. 31, 2012	Aug. 31, 2011
Net operating loss carry forward and deductible temporary differences	$ 14,762,000	$ 11,152,000
Valuation allowance	$ (14,762,000)	$ (11,152,000)

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (USD $)	September 2010 [Member] Common Stock [Member]	September 2010 [Member] To Be Issued [Member]	September 2010 [Member] Additional Paid-in Capital [Member]	September 2010 [Member] Prepaid Services Paid-In Common Stock [Member]	September 2010 [Member]	October 2010 [Member] Common Stock [Member]	October 2010 [Member] To Be Issued [Member]	October 2010 [Member] Additional Paid-in Capital [Member]	October 2010 [Member]	December 2010 [Member] S Warrants [Member] Additional Paid-in Capital [Member]	December 2010 [Member] S Warrants [Member]	December 2010 [Member] Common Stock [Member]	December 2010 [Member] To Be Issued [Member]	December 2010 [Member] Additional Paid-in Capital [Member]	December 2010 [Member]
Balance, August 31, 2010 at Aug. 31, 2010															
Balance, August 31, 2010 (in Shares) at Aug. 31, 2010															
Common stock to be issued in connection with note payable extensions		125	11,375		11,500										
Issuance of common stock in connection with a note payable issuance	250		24,750		25,000	800	(200)	69,400	70,000			150	(150)		
Issuance of common stock in connection with a note payable issuance (in Shares)	250,000					800,000						150,000			
Issuance of common stock in connection with a note payable extension												25	(25)		
Issuance of common stock in connection with a note payable extension (in Shares)												25,000			
Issuance of common stock in connection with cancellation of warrants												54		(54)	
Issuance of common stock in connection with cancellation of warrants (in Shares)												54,480			
Common stock to be issued in connection with a note payable issuance, October 2010							150	38,850	39,000						
Issuance of warrants and options for services										1,055,636	1,055,636				
Amortization of prepaid services paid-in common stock															
Beneficial conversion discount of convertible notes payable															
Net loss															
Issuance of common stock for conversion of debt												4,000		796,000	800,000
Issuance of common stock for conversion of debt (in Shares)												4,000,000			
Issuance of common stock for services and cancellation of warrants, July 2011															
Issuance of common stock for services and cancellation of warrants, July 2011 (in Shares)															
Issuance of common stock in connection with private placement, net of offering costs, July 2011															
Issuance of common stock in connection with private placement, net of offering costs, July 2011 (in Shares)															
Issuance of common stock for services	500		129,500	(20,000)	110,000							946		196,254	197,200
Issuance of common stock for services (in Shares)	500,000											945,714			
Balance at Aug. 31, 2011															
Balance (in Shares) at Aug. 31, 2011															
Issuance of common stock in connection with a note payable issuance															
Issuance of common stock in connection with a note payable issuance (in Shares)															
Issuance of warrants and options for services															
Issuance of common stock from the exercise of warrants															
Issuance of common stock from the exercise of warrants (in Shares)															
Amortization of prepaid services paid-in common stock															
Beneficial conversion discount of convertible notes payable															
Net loss															
Issuance of common stock for conversion of debt															
Issuance of common stock for conversion of debt (in Shares)															
Issuance of common stock for services															
Issuance of common stock for services (in Shares)															
Gain on debt settlement, February 2012															
Balance at Aug. 31, 2012															
Balance (in Shares) at Aug. 31, 2012															

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (USD $)	February 2011 [Member] Common Stock [Member]	February 2011 [Member] To Be Issued [Member]	February 2011 [Member] Additional Paid-in Capital [Member]	February 2011 [Member]	March 2011 [Member] Common Stock [Member]	March 2011 [Member] To Be Issued [Member]	March 2011 [Member] Additional Paid-in Capital [Member]	March 2011 [Member]	April 2011 [Member] Common Stock [Member]	April 2011 [Member] Additional Paid-in Capital [Member]	April 2011 [Member] Prepaid Services Paid-In Common Stock [Member]	April 2011 [Member]	May 2011 [Member] Common Stock [Member]	May 2011 [Member] To Be Issued [Member]	May 2011 [Member] Additional Paid-in Capital [Member]	May 2011 [Member] Prepaid Services Paid-In Common Stock [Member]	May 2011 [Member]
Balance, August 31, 2010 at Aug. 31, 2010																	
Balance, August 31, 2010 (in Shares) at Aug. 31, 2010																	
Common stock to be issued in connection with note payable extensions		100	18,900	19,000		200	33,800	34,000									
Issuance of common stock in connection with a note payable issuance																	
Issuance of common stock in connection with a note payable issuance (in Shares)																	
Issuance of common stock in connection with a note payable extension					1,280	(200)	214,893	215,973					100	(100)			
Issuance of common stock in connection with a note payable extension (in Shares)					1,279,863								100,000				
Issuance of common stock in connection with cancellation of warrants																	
Issuance of common stock in connection with cancellation of warrants (in Shares)																	
Common stock to be issued in connection with a note payable issuance, October 2010																	
Issuance of warrants and options for services																	
Amortization of prepaid services paid-in common stock																	
Beneficial conversion discount of convertible notes payable																	
Net loss																	
Issuance of common stock for conversion of debt	670		133,316	133,986													
Issuance of common stock for conversion of debt (in Shares)	669,932																
Issuance of common stock for services and cancellation of warrants, July 2011																	
Issuance of common stock for services and cancellation of warrants, July 2011 (in Shares)																	
Issuance of common stock in connection with private placement, net of offering costs, July 2011																	
Issuance of common stock in connection with private placement, net of offering costs, July 2011 (in Shares)																	
Issuance of common stock for services	3,000		597,000	600,000					1,371	216,129	(56,923)	160,577	270		42,930	(40,000)	3,200
Issuance of common stock for services (in Shares)	3,000,000								1,371,429				270,000				
Balance at Aug. 31, 2011																	
Balance (in Shares) at Aug. 31, 2011																	
Issuance of common stock in connection with a note payable issuance																	
Issuance of common stock in connection with a note payable issuance (in Shares)																	
Issuance of warrants and options for services																	
Issuance of common stock from the exercise of warrants																	
Issuance of common stock from the exercise of warrants (in Shares)																	
Amortization of prepaid services paid-in common stock																	
Beneficial conversion discount of convertible notes payable																	
Net loss																	
Issuance of common stock for conversion of debt																	
Issuance of common stock for conversion of debt (in Shares)																	
Issuance of common stock for services																	
Issuance of common stock for services (in Shares)																	
Gain on debt settlement, February 2012																	
Balance at Aug. 31, 2012																	
Balance (in Shares) at Aug. 31, 2012																	

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (USD $)	July 2011 [Member] Conversion of Interest on Related Party Advances [Member] Common Stock [Member]	July 2011 [Member] Conversion of Interest on Related Party Advances [Member] Additional Paid-in Capital [Member]	July 2011 [Member] Conversion of Interest on Related Party Advances [Member]	July 2011 [Member] Conversion of Notes Payable and Accrued Interest [Member] Common Stock [Member]	July 2011 [Member] Conversion of Notes Payable and Accrued Interest [Member] Additional Paid-in Capital [Member]	July 2011 [Member] Conversion of Notes Payable and Accrued Interest [Member]	July 2011 [Member] Conversion of Debt [Member] Common Stock [Member]	July 2011 [Member] Conversion of Debt [Member] Additional Paid-in Capital [Member]	July 2011 [Member] Conversion of Debt [Member]	July 2011 [Member] Common Stock [Member]	July 2011 [Member] To Be Issued [Member]	July 2011 [Member] Additional Paid-in Capital [Member]	July 2011 [Member] Prepaid Services Paid-In Common Stock [Member]	July 2011 [Member]
Balance, August 31, 2010 at Aug. 31, 2010														
Balance, August 31, 2010 (in Shares) at Aug. 31, 2010														
Common stock to be issued in connection with note payable extensions														
Issuance of common stock in connection with a note payable issuance														
Issuance of common stock in connection with a note payable issuance (in Shares)														
Issuance of common stock in connection with a note payable extension										35		(35)		
Issuance of common stock in connection with a note payable extension (in Shares)										35,000				
Issuance of common stock in connection with cancellation of warrants														
Issuance of common stock in connection with cancellation of warrants (in Shares)														
Common stock to be issued in connection with a note payable issuance, October 2010														
Issuance of warrants and options for services														
Amortization of prepaid services paid-in common stock														
Beneficial conversion discount of convertible notes payable														
Net loss														
Issuance of common stock for conversion of debt	4,319	859,431	863,750	1,229	244,683	245,912	150	29,850	30,000		536	106,642		107,178
Issuance of common stock for conversion of debt (in Shares)	4,318,750			1,229,559			150,000							
Issuance of common stock for services and cancellation of warrants, July 2011										400		99,600		100,000
Issuance of common stock for services and cancellation of warrants, July 2011 (in Shares)										400,000				
Issuance of common stock in connection with private placement, net of offering costs, July 2011										50,000		8,272,412		8,322,412
Issuance of common stock in connection with private placement, net of offering costs, July 2011 (in Shares)										50,000,000				
Issuance of common stock for services										2,065		450,285	(440,000)	12,350
Issuance of common stock for services (in Shares)										2,065,000				
Balance at Aug. 31, 2011														
Balance (in Shares) at Aug. 31, 2011														
Issuance of common stock in connection with a note payable issuance														
Issuance of common stock in connection with a note payable issuance (in Shares)														
Issuance of warrants and options for services														
Issuance of common stock from the exercise of warrants														
Issuance of common stock from the exercise of warrants (in Shares)														
Amortization of prepaid services paid-in common stock														
Beneficial conversion discount of convertible notes payable														
Net loss														
Issuance of common stock for conversion of debt														
Issuance of common stock for conversion of debt (in Shares)														
Issuance of common stock for services														
Issuance of common stock for services (in Shares)														
Gain on debt settlement, February 2012														
Balance at Aug. 31, 2012														
Balance (in Shares) at Aug. 31, 2012														

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (USD $)	August 2011 [Member] Conversion of Interest on Related Party Advances [Member] Common Stock [Member]	August 2011 [Member] Conversion of Interest on Related Party Advances [Member] Additional Paid-in Capital [Member]	August 2011 [Member] Conversion of Interest on Related Party Advances [Member]	August 2011 [Member] Conversion of Notes Payable and Accrued Interest [Member] Common Stock [Member]	August 2011 [Member] Conversion of Notes Payable and Accrued Interest [Member] To Be Issued [Member]	August 2011 [Member] Conversion of Notes Payable and Accrued Interest [Member] Additional Paid-in Capital [Member]	August 2011 [Member] Conversion of Notes Payable and Accrued Interest [Member]	August 2011 [Member] Conversion of Debt [Member] Common Stock [Member]	August 2011 [Member] Conversion of Debt [Member] Additional Paid-in Capital [Member]	August 2011 [Member] Conversion of Debt [Member]	August 2011 [Member] T Warrants [Member] Additional Paid-in Capital [Member]	August 2011 [Member] T Warrants [Member]	August 2011 [Member] U Warrants [Member] Additional Paid-in Capital [Member]	August 2011 [Member] U Warrants [Member]	August 2011 [Member] Common Stock [Member]	August 2011 [Member] Additional Paid-in Capital [Member]
Balance, August 31, 2010 at Aug. 31, 2010																
Balance, August 31, 2010 (in Shares) at Aug. 31, 2010																
Common stock to be issued in connection with note payable extensions																
Issuance of common stock in connection with a note payable issuance																
Issuance of common stock in connection with a note payable issuance (in Shares)																
Issuance of common stock in connection with a note payable extension															50	(50)
Issuance of common stock in connection with a note payable extension (in Shares)															50,000	
Issuance of common stock in connection with cancellation of warrants																
Issuance of common stock in connection with cancellation of warrants (in Shares)																
Common stock to be issued in connection with a note payable issuance, October 2010																
Issuance of warrants and options for services											837,664	837,664	140,587	140,587		
Amortization of prepaid services paid-in common stock																
Beneficial conversion discount of convertible notes payable																
Net loss																
Issuance of common stock for conversion of debt	597	118,836	119,433	10,786	(536)	2,039,750	2,050,000	1,200	279,909	281,109						
Issuance of common stock for conversion of debt (in Shares)	597,165			10,785,891				1,200,000								
Issuance of common stock for services and cancellation of warrants, July 2011																
Issuance of common stock for services and cancellation of warrants, July 2011 (in Shares)																
Issuance of common stock in connection with private placement, net of offering costs, July 2011																
Issuance of common stock in connection with private placement, net of offering costs, July 2011 (in Shares)																
Issuance of common stock for services																
Issuance of common stock for services (in Shares)																
Balance at Aug. 31, 2011																
Balance (in Shares) at Aug. 31, 2011																
Issuance of common stock in connection with a note payable issuance																
Issuance of common stock in connection with a note payable issuance (in Shares)																
Issuance of warrants and options for services																
Issuance of common stock from the exercise of warrants																
Issuance of common stock from the exercise of warrants (in Shares)																
Amortization of prepaid services paid-in common stock																
Beneficial conversion discount of convertible notes payable																
Net loss																
Issuance of common stock for conversion of debt																
Issuance of common stock for conversion of debt (in Shares)																
Issuance of common stock for services																
Issuance of common stock for services (in Shares)																
Gain on debt settlement, February 2012																
Balance at Aug. 31, 2012																
Balance (in Shares) at Aug. 31, 2012																

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (USD $)	December 2011 [Member] Common Stock [Member]	December 2011 [Member] Additional Paid-in Capital [Member]	December 2011 [Member]	January 2012 [Member] Stock Options [Member] Additional Paid-in Capital [Member]	January 2012 [Member] Stock Options [Member]	February 2012 [Member] Common Stock [Member]	February 2012 [Member] Additional Paid-in Capital [Member]	February 2012 [Member] Prepaid Services Paid-In Common Stock [Member]	February 2012 [Member]	March 2012 [Member] Stock Options [Member] Additional Paid-in Capital [Member]	March 2012 [Member] Stock Options [Member]	March 2012 [Member] X Warrants [Member] Additional Paid-in Capital [Member]	March 2012 [Member] X Warrants [Member]	March 2012 [Member] V Warrants [Member] Additional Paid-in Capital [Member]	March 2012 [Member] V Warrants [Member]	April 2012 [Member] Common Stock [Member]	April 2012 [Member] Additional Paid-in Capital [Member]	April 2012 [Member]
Balance, August 31, 2010 at Aug. 31, 2010																		
Balance, August 31, 2010 (in Shares) at Aug. 31, 2010																		
Common stock to be issued in connection with note payable extensions																		
Issuance of common stock in connection with a note payable issuance																		
Issuance of common stock in connection with a note payable issuance (in Shares)																		
Issuance of common stock in connection with a note payable extension																		
Issuance of common stock in connection with a note payable extension (in Shares)																		
Issuance of common stock in connection with cancellation of warrants																		
Issuance of common stock in connection with cancellation of warrants (in Shares)																		
Common stock to be issued in connection with a note payable issuance, October 2010																		
Issuance of warrants and options for services																		
Amortization of prepaid services paid-in common stock																		
Beneficial conversion discount of convertible notes payable																		
Net loss																		
Issuance of common stock for conversion of debt																		
Issuance of common stock for conversion of debt (in Shares)																		
Issuance of common stock for services and cancellation of warrants, July 2011																		
Issuance of common stock for services and cancellation of warrants, July 2011 (in Shares)																		
Issuance of common stock in connection with private placement, net of offering costs, July 2011																		
Issuance of common stock in connection with private placement, net of offering costs, July 2011 (in Shares)																		
Issuance of common stock for services																		
Issuance of common stock for services (in Shares)																		
Balance at Aug. 31, 2011																		
Balance (in Shares) at Aug. 31, 2011																		
Issuance of common stock in connection with a note payable issuance																200	55,800	56,000
Issuance of common stock in connection with a note payable issuance (in Shares)																200,000		
Issuance of warrants and options for services				404,121	404,121					57,374	57,374	3,761	3,761	200,000	200,000			
Issuance of common stock from the exercise of warrants																		
Issuance of common stock from the exercise of warrants (in Shares)																		
Amortization of prepaid services paid-in common stock																		
Beneficial conversion discount of convertible notes payable																		
Net loss																		
Issuance of common stock for conversion of debt																		
Issuance of common stock for conversion of debt (in Shares)																		
Issuance of common stock for services	690	247,810	248,500			1,227	400,273	(250,000)	151,500									
Issuance of common stock for services (in Shares)	690,278					1,226,786												
Gain on debt settlement, February 2012							312,491		312,491									
Balance at Aug. 31, 2012																		
Balance (in Shares) at Aug. 31, 2012																		

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (USD $)	May 2012 [Member] W Warrants [Member] Additional Paid-in Capital [Member]	May 2012 [Member] W Warrants [Member]	May 2012 [Member] Common Stock [Member]	May 2012 [Member] Additional Paid-in Capital [Member]	May 2012 [Member]	June 2012 [Member] Stock Options [Member] Additional Paid-in Capital [Member] Officer [Member]	June 2012 [Member] Stock Options [Member] Additional Paid-in Capital [Member]	June 2012 [Member] Stock Options [Member] Officer [Member]	June 2012 [Member] Stock Options [Member]	June 2012 [Member] Common Stock [Member]	June 2012 [Member] Additional Paid-in Capital [Member]	June 2012 [Member]	July 2012 [Member] Common Stock [Member]	July 2012 [Member] Additional Paid-in Capital [Member]	July 2012 [Member]
Balance, August 31, 2010 at Aug. 31, 2010															
Balance, August 31, 2010 (in Shares) at Aug. 31, 2010															
Common stock to be issued in connection with note payable extensions															
Issuance of common stock in connection with a note payable issuance															
Issuance of common stock in connection with a note payable issuance (in Shares)															
Issuance of common stock in connection with a note payable extension															
Issuance of common stock in connection with a note payable extension (in Shares)															
Issuance of common stock in connection with cancellation of warrants															
Issuance of common stock in connection with cancellation of warrants (in Shares)															
Common stock to be issued in connection with a note payable issuance, October 2010															
Issuance of warrants and options for services															
Amortization of prepaid services paid-in common stock															
Beneficial conversion discount of convertible notes payable															
Net loss															
Issuance of common stock for conversion of debt															
Issuance of common stock for conversion of debt (in Shares)															
Issuance of common stock for services and cancellation of warrants, July 2011															
Issuance of common stock for services and cancellation of warrants, July 2011 (in Shares)															
Issuance of common stock in connection with private placement, net of offering costs, July 2011															
Issuance of common stock in connection with private placement, net of offering costs, July 2011 (in Shares)															
Issuance of common stock for services															
Issuance of common stock for services (in Shares)															
Balance at Aug. 31, 2011															
Balance (in Shares) at Aug. 31, 2011															
Issuance of common stock in connection with a note payable issuance															
Issuance of common stock in connection with a note payable issuance (in Shares)															
Issuance of warrants and options for services	250,000	250,000				28,687	71,718	28,687	71,718						
Issuance of common stock from the exercise of warrants			25	(25)						27	(27)				
Issuance of common stock from the exercise of warrants (in Shares)			24,359							27,391					
Amortization of prepaid services paid-in common stock															
Beneficial conversion discount of convertible notes payable															
Net loss															
Issuance of common stock for conversion of debt													350	77,126	77,476
Issuance of common stock for conversion of debt (in Shares)													350,000		
Issuance of common stock for services			175	63,825	64,000					1,000	299,000	300,000			
Issuance of common stock for services (in Shares)			175,000							1,000,000					
Gain on debt settlement, February 2012															
Balance at Aug. 31, 2012															
Balance (in Shares) at Aug. 31, 2012															

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (USD $)	August 2012 [Member] Conversion of Debt [Member] Common Stock [Member]	August 2012 [Member] Conversion of Debt [Member] Additional Paid-in Capital [Member]	August 2012 [Member] Conversion of Debt [Member]	August 2012 [Member] Conversion of Note Payable [Member] Common Stock [Member]	August 2012 [Member] Conversion of Note Payable [Member] Additional Paid-in Capital [Member]	August 2012 [Member] Conversion of Note Payable [Member]	August 2012 [Member] Stock Options [Member] Additional Paid-in Capital [Member] Officer [Member]	August 2012 [Member] Stock Options [Member] Additional Paid-in Capital [Member]	August 2012 [Member] Stock Options [Member] Officer [Member]	August 2012 [Member] Stock Options [Member]	August 2012 [Member] Common Stock [Member]	August 2012 [Member] Additional Paid-in Capital [Member]	August 2012 [Member] Prepaid Services Paid-In Common Stock [Member]	August 2012 [Member]
Balance, August 31, 2010 at Aug. 31, 2010														
Balance, August 31, 2010 (in Shares) at Aug. 31, 2010														
Common stock to be issued in connection with note payable extensions														
Issuance of common stock in connection with a note payable issuance														
Issuance of common stock in connection with a note payable issuance (in Shares)														
Issuance of common stock in connection with a note payable extension														
Issuance of common stock in connection with a note payable extension (in Shares)														
Issuance of common stock in connection with cancellation of warrants														
Issuance of common stock in connection with cancellation of warrants (in Shares)														
Common stock to be issued in connection with a note payable issuance, October 2010														
Issuance of warrants and options for services														
Amortization of prepaid services paid-in common stock														
Beneficial conversion discount of convertible notes payable														
Net loss														
Issuance of common stock for conversion of debt														
Issuance of common stock for conversion of debt (in Shares)														
Issuance of common stock for services and cancellation of warrants, July 2011														
Issuance of common stock for services and cancellation of warrants, July 2011 (in Shares)														
Issuance of common stock in connection with private placement, net of offering costs, July 2011														
Issuance of common stock in connection with private placement, net of offering costs, July 2011 (in Shares)														
Issuance of common stock for services														
Issuance of common stock for services (in Shares)														
Balance at Aug. 31, 2011														
Balance (in Shares) at Aug. 31, 2011														
Issuance of common stock in connection with a note payable issuance														
Issuance of common stock in connection with a note payable issuance (in Shares)														
Issuance of warrants and options for services							28,687	57,374	28,687	57,374				
Issuance of common stock from the exercise of warrants														
Issuance of common stock from the exercise of warrants (in Shares)														
Amortization of prepaid services paid-in common stock														
Beneficial conversion discount of convertible notes payable														
Net loss														
Issuance of common stock for conversion of debt	1,097	287,747	288,844	250	42,310	42,560								
Issuance of common stock for conversion of debt (in Shares)	1,097,288			250,000										
Issuance of common stock for services											1,250	358,750	(300,000)	60,000
Issuance of common stock for services (in Shares)											1,250,000			
Gain on debt settlement, February 2012														
Balance at Aug. 31, 2012														
Balance (in Shares) at Aug. 31, 2012														

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) (USD $)	Common Stock [Member]	To Be Issued [Member]	Additional Paid-in Capital [Member]	Prepaid Services Paid-In Common Stock [Member]	Retained Earnings [Member]	Total
Balance, August 31, 2010 at Aug. 31, 2010	$ 44,923	$ 100	$ 24,382,165	$ (209,500)	$ (28,828,925)	$ (4,611,237)
Balance, August 31, 2010 (in Shares) at Aug. 31, 2010	107,322,272					
Common stock to be issued in connection with note payable extensions						
Issuance of common stock in connection with a note payable issuance						
Issuance of common stock in connection with a note payable issuance (in Shares)						
Issuance of common stock in connection with a note payable extension						
Issuance of common stock in connection with a note payable extension (in Shares)						
Issuance of common stock in connection with cancellation of warrants						
Issuance of common stock in connection with cancellation of warrants (in Shares)						
Common stock to be issued in connection with a note payable issuance, October 2010						
Issuance of warrants and options for services						
Amortization of prepaid services paid-in common stock				473,090		473,090
Beneficial conversion discount of convertible notes payable			312,000			312,000
Net loss					(8,222,705)	(8,222,705)
Issuance of common stock for conversion of debt						
Issuance of common stock for conversion of debt (in Shares)						
Issuance of common stock for services and cancellation of warrants, July 2011						
Issuance of common stock for services and cancellation of warrants, July 2011 (in Shares)						
Issuance of common stock in connection with private placement, net of offering costs, July 2011						
Issuance of common stock in connection with private placement, net of offering costs, July 2011 (in Shares)						
Issuance of common stock for services						
Issuance of common stock for services (in Shares)						
Balance at Aug. 31, 2011	129,170		41,752,408	(293,333)	(37,051,630)	4,536,615
Balance (in Shares) at Aug. 31, 2011	191,570,055					
Issuance of common stock in connection with a note payable issuance						
Issuance of common stock in connection with a note payable issuance (in Shares)						
Issuance of warrants and options for services						
Issuance of common stock from the exercise of warrants						
Issuance of common stock from the exercise of warrants (in Shares)						
Amortization of prepaid services paid-in common stock				568,333		568,333
Beneficial conversion discount of convertible notes payable			227,583			227,583
Net loss					(7,963,485)	(7,963,485)
Issuance of common stock for conversion of debt						
Issuance of common stock for conversion of debt (in Shares)						
Issuance of common stock for services						647,961
Issuance of common stock for services (in Shares)						
Gain on debt settlement, February 2012						580,598
Balance at Aug. 31, 2012	$ 135,461		$ 45,226,793	$ (275,000)	$ (45,015,115)	$ 72,139
Balance (in Shares) at Aug. 31, 2012	197,861,157					

Note 4 - Related Party Transactions	12 Months Ended Aug. 31, 2012
Related Party Transactions Disclosure [Text Block]	4. **RELATED PARTY TRANSACTIONS**

Advances from Officers

From time to time, the Company's officers advance funding to the Company to cover operating expenses. Cash advances from officers accrue interest at the rate of 8% per annum and have no formal repayment terms.

During the year ended August 31, 2012, there were no new advances from officers and repayments on advances totaled $9,423. In June 2011, $500,000 of advances from an officer was converted into 2,500,000 shares of the Company's common stock at $0.20 per share. Outstanding advances from officers amounted to $0 as of August 31, 2012.

During the year ended August 31, 2012, $55 of interest was accrued and $94 of interest was paid on officer advances. In August 2011, $105,433 of accrued interest on advances from an officer was converted into 527,165 shares of the Company's common stock at $0.20 per share. Accrued interest on officer advances amounted to $0 as of August 31, 2012.

Services Provided

A relative of the Chief Operating Officer provides bookkeeping and accounting services to the Company for $3,000 per month. During the year ended August 31, 2012, bookkeeping and accounting fees for this related party totaled $32,150.

On March 30, 2011, the Company entered into an Employment Letter of Intent ("LOI") with a relative of the Company's CEO and President, to act as Vice President of Customer Service. Under the terms of the LOI, the related party is paid compensation of $10,000 per month and 250,000 shares of the Company's common stock as a signing bonus. The common stock was valued at $42,500 on the award date. On March 15, 2012, the Company entered into an Executive Employment Agreement with the related party. Under the terms of Executive Employment Agreement, the related party is paid compensation of $12,500 per month plus sales commissions and is entitled to earn up to 1,500,000 stock options that vest upon achieving certain milestones. During the year ended August 31, 2012, total cash compensation and stock compensation under these related party agreements totaled $134,575 and $18,000, respectively. In addition, there were 62,500 stock options that vested during the year ended August 31, 2012 valued at $14,344.

West Coast Customs

In July 2012, an officer of the Company entered into a Subscription Agreement with West Coast Customs ("WCC") to acquire an approximate 1.5% ownership of WCC. The

Company and WCC are under a Manufacturing and Trademark License Agreement for co-branding of the PocketFinder® products.

Promissory Note

On August 30, 2012, the Company entered into an unsecured convertible promissory note agreement with a board member for $200,000. Under the terms of the promissory note agreement, principal and any unpaid interest shall be repaid by August 30, 2013. 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 the Company's common stock on the basis of $0.20 per share (see Note 6).

Note 2 - Inventory (Detail) (USD $)	Aug. 31, 2012
Inventory, Noncurrent	$ 1,350,000

Note 10 - Stock Options and Warrants (Detail) (USD $)	12 Months Ended	1 Months Ended		1 Months Ended	12 Months Ended	1 Months Ended	12 Months Ended	1 Months Ended	12 Months Ended	1 Months Ended			12 Months Ended	1 Months Ended			
	Aug. 31, 2012	Jan. 31, 2012 Options Granted to Three Officers [Member] Per Officer [Member]	Aug. 31, 2012 Options Granted to Three Officers [Member] Per Officer [Member]	Jan. 31, 2012 Options Granted to Three Officers [Member]	Aug. 31, 2012 Options Granted to Three Officers [Member]	Mar. 31, 2012 Options Granted to Two Officers [Member]	Aug. 31, 2012 Options Granted to Two Officers [Member]	Mar. 31, 2012 Options Granted to Two Employees [Member]	Aug. 31, 2012 Options Granted to Two Employees [Member]	Dec. 17, 2010 Warrant Series S [Member] Personal Guarantor [Member]	Dec. 17, 2010 Warrant Series S [Member] Consultant [Member]	Jul. 29, 2011 Warrant Series T [Member] Placement Agents [Member]	Aug. 31, 2012 Warrant Series T [Member] Placement Agents [Member]	Aug. 31, 2011 Warrant Series U [Member] Silicon Valley Bank [Member]	Mar. 31, 2012 Warrant Series X [Member] Marketing and Promotional Services [Member]	Mar. 31, 2012 Warrant Series V [Member] JMJ Financial [Member]	May 31, 2012 Warrant Series W [Member] JMJ Financial [Member]
Share-based Compensation Arrangement by Share-based Payment Award, Options, Grants in Period, Gross	18,500,000	4,000,000		12,000,000		2,000,000		4,500,000									
Share-based Compensation Arrangements by Share-based Payment Award, Options, Grants in Period, Weighted Average Exercise Price (in Dollars per share)				$ 0.31		$ 0.31		$ 0.31									
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Exercisable, Number					1,500,000		250,000		812,500								
Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Vested in Period, Total Fair Value (in Dollars)					$ 404,121		$ 57,374		$ 186,466	$ 926,900	$ 128,736	$ 837,664		$ 140,587	$ 3,761		
Share-based Compensation Arrangement by Share-based Payment Award, Options, Outstanding, Number			6,000,000		18,000,000												
Share-based Compensation Arrangement by Share-based Payment Award, Options, Outstanding, Weighted Average Exercise Price (in Dollars per share)					$ 0.33												
Share-based Compensation Arrangement by Share-based Payment Award, Expiration Date					Dec. 10, 2008												
Class of Warrant or Right, Number of Securities Called by Warrants or Rights (in Shares)	8,958,302									3,600,000	500,000	1,787,500		300,000	57,692	869,565	1,086,957
Class of Warrant or Right, Exercise Price of Warrants or Rights (in Dollars per Item)										0.20	0.20	0.20		0.20	0.26	0.23	0.23
Share-based Compensation Arrangement by Share-based Payment Award, Non-Option Equity Instruments, Exercised													110,000				
Proceeds from Warrant Exercises (in Dollars)																$ 200,000	$ 250,000

Note 2 - Inventory (Tables)

Schedule of Inventory, Current [Table Text Block]	12 Months Ended Aug. 31, 2012	
	August 31, 2012	**August 31, 2011**
Current:		
Packaging supplies	$ 7,859	$13,129
Device components	452,298	11,680
Finished goods	1,522,809	-
Inventories, current	$1,982,966	$24,809
Noncurrent:		
Device components	$1,200,000	$ -
Finished goods	150,000	-
Inventories, noncurrent	$1,350,000	$ -