



MANAGEMENT INFORMATION CIRCULAR
As at April 12, 2012

This Information circular is furnished in connection with the solicitation of proxies by management of Pacific Therapeutics Ltd. for use at the annual general meeting of shareholders to be held on May 14, 2012 (the "Meeting") at and any adjournment thereof, for the purposes set forth in the attached Notice of Annual General Meeting. Except where otherwise indicated, the information contained herein is stated as of April 12, 2012

In this Information Circular, references to the "**Company**", "**we**" and "**our**" refer to Pacific Therapeutics Ltd. "**Common Shares**" means common shares without par value in the capital of the Company. "**Registered Shareholders**" means shareholders whose names appear on the records of the Company as the registered holders of Common Shares. "**Beneficial Shareholders**" means shareholders who do not hold Common Shares in their own name. "**Intermediaries**" refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

GENERAL PROXY INFORMATION

SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the Board of Directors and the management of Pacific Therapeutics Ltd. (the "Company") for use at the Annual General Meeting (the "Meeting") of the shareholders of the Company (the "Shareholders"), to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof. The information contained in this Management Proxy Circular is given as at Thursday April 12, 2011, except where otherwise indicated. **The solicitation is made by the management of the Company** (the "Management"). The cost of solicitation will be borne by the Company. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or personal interview by regular employees of the Company, at a nominal cost. All costs of solicitation will be borne by the Company.

Appointment and Revocation of Proxies

The individuals named in the accompanying form of proxy (the "**Proxy**") are officers of the Company. If you are a Registered Shareholder, you have the right to vote by proxy and to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of Proxy and in either case, depositing the form of proxy as instructed.

A Shareholder who has given a proxy may revoke it before it is exercised:

- (a) by completing and signing a proxy bearing a later date and depositing it with the Transfer Agent, Valiant Trust located at 600-750 Cambie Street Vancouver, British Columbia, Canada V6B 0A2;
- (b) by depositing an instrument of revocation in writing executed by the shareholder or by his attorney authorized in writing or, where the shareholder is a company, by a duly authorized officer or attorney, of the company; and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the meeting or any adjournment of it, at which the Proxy is to be used, or to the chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof; or
- (c) in any other manner provided by law

Only Registered Shareholders have the right to revoke a Proxy. Shareholders who hold their shares with a bank, broker or other intermediary should contact their intermediary and carefully follow the instructions provided to them by the intermediary.

Voting by Proxy holder

If you have the right to vote by proxy, the persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (i) each matter or group of matters identified therein for which a choice is not specified,
- (ii) any amendment to or variation of any matter identified therein,
- (iii) any other matter that properly comes before the Meeting, and
- (iv) exercise of discretion of Proxy holder.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter. Management is not currently aware of any other matters that could come before the meeting.

Voting by Registered Shareholders

If you are a Registered Shareholder you may wish to vote by proxy whether or not you are able to attend the Meeting in person. Registered Shareholders electing to submit a proxy may do so by completing, dating and signing the enclosed form of proxy and returning it to the Company's transfer agent, Valiant Trust located at 600 – 750 Cambie Street, Vancouver, British Columbia, Canada, V6B 0A2 in accordance with the instructions on the Proxy.

In all cases you should ensure that the Proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used.

Voting by Non-Registered Shareholders

The following information is of significant importance to shareholders who do not hold Common Shares in their own name. Non-Registered Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders.

If Common Shares are listed in an account statement provided to a shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of the shareholder's Intermediary. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Non-Registered Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

If you are a Non-Registered Shareholder:

There are two kinds of beneficial owners: those who object to their name being made known to the issuers of securities which they own (called "OBOs" for Objecting Beneficial Owners) and those who do not object (called "NOBOs" for Non-Objecting Beneficial Owners). Issuers can request and obtain a list of their NOBOs from intermediaries via their transfer agents, pursuant to National Instrument 54-101 entitled, "Communication with Beneficial Owners of Securities of Reporting Issuers" ("NI 54-101") and issuers can use this NOBO list for distribution of proxy-related materials directly to NOBOs. The Company has decided to take advantage of those provisions of NI 54-101 that allow it to directly deliver proxy-related materials to its NOBOs. As a result, NOBOs can expect to receive a voting instruction from the Transfer Agent, Valiant Trust. These voting instruction forms are to be completed and returned to the Transfer Agent in the envelope provided or

by any other voting methods described on the voting instruction form itself, which contains complete instructions regarding voting procedures. The Transfer Agent will tabulate the results of the voting instruction forms received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by voting instruction forms they receive.

With respect to OBOs, the voting instruction form supplied to you by your Intermediary will be similar to the Proxy provided to the Registered Shareholders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote on your behalf. Most Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in the United States and in Canada. Broadridge mails a voting instruction form in lieu of a Proxy provided by the Company. The voting instruction form will name the same persons as the Company's Proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a shareholder of the Company), other than the persons designated in the voting instruction form, to represent you at the Meeting. To exercise this right, you should insert the name of the desired representative in the blank space provided in the voting instruction form. The completed voting instruction form must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **If you receive a voting instruction form from Broadridge, you cannot use it to vote Common Shares directly at the Meeting – the voting instruction form must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have the Common Shares voted.**

Although as a Non-Registered Shareholder you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your Intermediary, you, or person designated by you, may attend at the Meeting as proxy holder for your Intermediary and vote your Common Shares in that capacity. If you wish to attend at the Meeting and indirectly vote your Common Shares as proxy holder for you Intermediary, or have a person designated by you do so, you should enter your own name, or the name of the person you wish to designate, in the blank space on the voting instruction form provided to you and return the same to your Intermediary in accordance with the instructions provided by such Intermediary, well in advance of the Meeting.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed herein, no person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting other than the election of directors and the appointment of auditors and as set out herein. For the purpose of this paragraph, "Person" shall include each person: (a) who has been a director, senior officer or insider of the Company at any time since the commencement of the Company's last fiscal year; (b) who is a proposed nominee for election as a director of the Company; or (c) who is an associate or affiliate of a person included in subparagraphs (a) or (b).

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of November 16, 2011 the common shares of the Company began trading on the Canadian National Stock Exchange ("CNSX"). On the commencement of trading the Company had 20,430,808 common shares and no preferred shares outstanding. At the Company's previous Annual General Meeting a resolution was passed by the shareholders to allow for a forward split of the Company's shares of up to 2:1. On December 30, 2010 the Company's shares were forward split 1.5:1. As of December 31, 2010, the Company had an authorized capital consisting of an unlimited number of Class A Common shares and Class B Preferred Shares, of which 15,930,451 Class A Common Shares and 1,703,250 Class B Preferred were issued and outstanding. As at December 31, 2011 the Company had an authorized capital consisting of an unlimited number of Class A Common shares and Class B Preferred Shares, of which 20,989,157 Class A Common Shares and Nil Class B Preferred were issued and outstanding

A holder of Class A Common of record at the close of business **on April 2nd 2012** (the "Record Date") is entitled to vote such Common shares at the Meeting except to the extent that, (i) such person transfers his shares after the close of business on the Record Date, and (ii) the transferring of such shares, at least ten days prior to the Meeting, produces properly endorsed share certificates to the Corporate Secretary of the Company or otherwise establishes his ownership of the shares, in which case the transferee may vote those shares at the Meeting.

A holder of Common shares or Preferred shares is entitled to one vote at the Meeting for each Common share held. The By-Laws of the Company provide that a quorum for the transaction of business at any meeting of shareholders shall be two persons holding not less than **5%** of the total number of the issued shares of the Company for the time being entitling the holders thereof to vote at such meeting.

As of the date hereof, to the best of the knowledge of the Directors and Officers of the Company, the following are the only beneficial owners, directly or indirectly, of shares of the Company which carry more than ten percent of the voting rights attached to all shares of Company:

Name	Number of Shares³	Percentage
Douglas H. Unwin ^{1,2}	4,615,671	22%

Notes:

- (1) Represents shares owned by shareholder as at April 12, 2012.
- (2) Includes shares held directly by Mr. Unwin and his spouse, as well as shares held by, Douglas Cove Capital Corp. a company controlled by Mr. Unwin.
- (3) The above information was supplied to the Company by the shareholders and from the insider reports available at www.sedi.com

PARTICULARS OF MATTERS TO BE ACTED UPON

Financial Statements

The shareholders will receive the audited financial statements of the Company for the fiscal years ended December 31, 2010 and December 31, 2011 together with the auditor's reports thereon.

Election of Directors

The Company proposes to fix the number of directors of the Company at five (5) and to nominate the four (4) persons listed below for election as directors. One Board seat will remain vacant for future expansion of the Board. Each director will hold office until the next annual general meeting of the Company or until his or her successor is elected or appointed, unless his or her office is earlier vacated. Management does not contemplate that any of the nominees will be unable to serve as a director. In the event that prior to the Meeting any vacancies occur in the slate of nominees herein listed, it is intended that discretionary authority shall be exercised by the person named in the Proxy as nominee to vote the shares represented by Proxy for the election of any other person or persons as directors.

The following table sets out the names of the management nominees; their positions and offices in the Company; principal occupations; the period of time that they have been directors of the Company; and the number of shares of the Company which each beneficially owns or over which control or direction is exercised.

Name, Residence and Present Position within the Company	Director Since	Number of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Discretion is Exercised	Principal Occupation for the past five years
Douglas H. Unwin (2)(3) North Vancouver, British Columbia	September 12, 2005	4,615,671 ⁽⁴⁾	President & CEO of the Company since 2005; President & CEO, Med BioGene Inc. 2004 to 2005; Self Employed Consultant 2003 to 2004; Intern, Westlink Technology Commercialization Management program 2001 to 2003
M. Greg Beniston (2)(3) Vancouver, British Columbia	October 31, 2007	100,000	Senior Legal Counsel, The CHC Helicopter Group of Companies since 2006; Lawyer, (Sole Practitioner) 2003 to present; Vice President, Legal and Corporate Secretary, MDSI Mobile Data Solutions Inc., 1996 to 2003

Name, Residence and Present Position within the Company	Director Since	Number of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Discretion is Exercised	Principal Occupation for the past five years
Wendi Rodriguez Boston, MA, USA	November 5, 2009	100,000	VP Product Development, ProNAi Therapeutics, Inc. September 2006 to present, Director Project Management, Novartis September 2005, to September 2008, Sr. Program Manager, Curagen Corp. September 2003 to December 2004
Douglas Wallis (2)(3) Vancouver, BC	May 10, 2011	150,510	Partner Smyth Ratcliffe Chartered Accountants

- (1) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees. Unless otherwise stated above, any nominees named above not elected at the last annual general meeting have held the principal occupation or employment indicated for at least five years.
- (2) Denotes a member of Audit Committee. Douglas Wallis is the Chairman of the Audit Committee.
- (3) Denotes a member of the Compensation Committee. Greg Beniston is the Chairman of the Compensation Committee.
- (4) Includes shares held by Mr. Unwin's spouse, Donna Armstrong and Douglas Cove Capital Corp. a company controlled by Mr. Unwin.

No proposed director of the Company is, or within the 10 years prior to the date of this Information Circular, has been, a director or executive officer of any company that while that person was acting in that capacity:

- (a) was the subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or an order that denied the relevant company access to any exemption under securities legislation, for more than 30 consecutive days;
- (c) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) has individually, within the 10 years prior to this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Appointment of Auditors

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the reappointment of LEED Advisors Inc. Chartered Accountants, as auditors of the Company. LEED Advisors Inc. Chartered Accountants were first appointed auditors of the Company on March 12, 2007. Pursuant to the Articles of the Company, the Directors will set the remuneration of the auditors.

Approval of Stock Option Plan

The 2005 Stock Option Plan and Amendments

The Company adopted its Stock Option Plan (the "Plan") in 2005. The purpose of the Stock Option Plan is to assist the Issuer in attracting, retaining and motivating directors, officers, employees and consultants of the Issuer and of its affiliates ("Eligible Persons") and to motivate them to advance the interests of the Issuer by affording them with the opportunity to

acquire an equity interest in the Issuer through options granted under the Stock Option Plan to purchase Common Shares. Under the Plan, the Company may grant non transferable stock options to Eligible Persons.

The Stock Option Plan is administered by the Compensation Committee of the Company, which has full and final authority with respect to the granting of all options thereafter. The Compensation Committee may from time to time, authorize the issuance of stock options to eligible persons. Under the Plan, the exercise price of any option must not be less than the greater of the closing market price of the underlying security on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options as permitted by the rules of the CNSX.

The Common Shares available for issuance under the 2005 plan generally vest over an 18 month period from the date granted. The Options are exercisable for up to 5 years. In December 2007 the directors approved an amendment to the 2005 plan to increase the maximum aggregate number of Common Shares issuable under the 2005 plan to 850,000 Common Shares. In December 2008 the Directors approved an amendment to the 2005 plan to increase the maximum aggregate number of Common Shares issuable under the 2005 plan to 1,250,000 Common Shares. The plan was also amended to increase the maximum exercise period to 7 years. In November 2009 the directors approved an amendment to the 2005 plan to increase the maximum aggregate number of Common Shares issuable under the 2005 plan to 1,350,000 Common Shares. Due to the stock split of the issuer's equity of 1.5 to 1 the maximum aggregate number of Common Shares issuable under the 2005 plan increased to 1,875,000 Common Shares.

Under the 2005 Stock Option Plan a fixed number of shares of 1,875,000 are reserved for issuance for options granted under the Plan. The Company's Board of Directors undertook to adopt a new stock option plan, effective as of the issue of a receipt for the final prospectus, the purpose of which will be to provide incentives to attract retain and motivate executive officers, directors and employees whose present and future contributions are important to the Issuer. Subject to shareholder and regulatory approval, the maximum number of the Issuer's Common Shares reserved for issuance pursuant to stock options granted under the proposed 2012 stock option plan will, at any time, be 10% of the number of Common Shares then outstanding.

Options may be exercised up to 90 days following cessation of the optionee's position with the Issuer, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Options will expire not later than the date which is seven years from the date of grant. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession. The Compensation Committee of the Issuer may, in its absolute discretion, impose such limitations or conditions on the exercise or vesting of any options granted under the Stock Option Plan as it deems appropriate, including limiting the number of Common Shares for which any option may be exercised during any period as may be specified by the Compensation Committee.

The Company wishes to set its 2012 stock option plan (the "2012 Plan"), authorizing the issuance of incentive stock options to directors, officers, employees and consultants up to an aggregate of 10% of the issued shares from time to time. There are currently 20,989,157 shares issued and outstanding and therefore the current 10% threshold is 2,098,915 shares under the Plan.

Management is seeking shareholder approval for the Plan and the approval of the number of shares reserved for issuance under the Plan in accordance with and subject to the rules and policies of the CNSX.

Terms of the 2012 Stock Option Plan

A full copy of the 2012 Plan will be available at the Meeting for review by shareholders. Shareholders may also obtain copies of the 2012 Plan from the Company prior to the meeting on written request to the Company's Corporate Secretary. The following is a summary of the material terms of the Plan:

Number of Shares Reserved. The number of common shares which may be issued pursuant to options granted under the 2012 Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options (including all options granted by the Company under the Plan).

Maximum Term of Options. The term of any options granted under the 2012 Plan is fixed by the Board of Directors and may not exceed 5 years. The options are non-assignable and non-transferable.

Exercise Price. The exercise price of options granted under the 2012 Plan is determined by the Board of Directors. Under the 2012 Plan, the exercise price of any option must not be less than the greater of the closing market price of the underlying security on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options as permitted by the rules of the CNSX or, if the shares are no longer listed on the CNSX, then such other exchange or quotation system on which the shares are listed or quoted for trading.

Reduction of Exercise Price. The exercise price of stock options granted may not be amendment once issued. If an option is cancelled prior to its expiry date, the CNSX Issuer must post notice of the cancellation and not grant new options to the same person until thirty (30) days have elapsed from the date of cancellation.

Termination. Any options granted pursuant to the 2012 Plan will terminate on the 90th day following the option holder ceasing to act as a director, officer, consultant, or employee of the Company or any of its affiliates, unless such cessation is on account of death. If such cessation is on account of death, the options terminate on the first anniversary of such cessation. If such cessation is on account of cause, or terminated by regulatory sanction or by reason of judicial order, the options terminate immediately. Options that have been cancelled or that have expired without having been exercised shall continue to be issuable under the Plan subject to the rules and policies of the CNSX. The Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of the Company's shares.

Administration. The 2012 Plan is administered by the Board of Directors of the Company or senior officer or employee to which such authority is delegated by the Board of Directors from time to time.

Board Discretion. The 2012 Plan provides that, generally, the number of shares subject to each option, the exercise price, the expiry time, the extent to which such option is exercisable, including vesting schedules, and other terms and conditions relating to such options shall be determined by the Compensation Committee to which such authority is delegated by the Board of Directors from time to time and in accordance with Exchange policies. The number of option grants, in any 12-month period, may not result in the issuance to any one optionee which exceed 5% of the outstanding common shares of the Company, or the issuance to a consultant or an employee engaged in investor relations activities which exceed 2% of the outstanding common shares of the Company.

Shareholder Approval

Shareholders will be asked at the Meeting to approve with or without variation the following resolution:

"Resolved that, subject to Exchange approval, the Company's 2012 Stock Option Plan be hereby approved, that in connection therewith a maximum of 10% of the issued and outstanding shares as at the time of each grant be approved for granting as options and that the Board of Directors be and is hereby authorized, without further shareholder approval, to make such changes to the existing stock option plan as may be required or approved by regulatory authorities."

OTHER BUSINESS

As of the date of this circular, management knows of no other matters to be acted upon at the Meeting. However, should any other matters properly come before the Meeting, the shares represented by the Proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the shares represented by the Proxy.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation, Philosophy and Objectives

On April 9, 2010, the Company established a Compensation Committee. The Compensation Committee is composed of three directors, namely Douglas Unwin, Douglas Wallis and M. Greg Beniston who is the chair of the Compensation Committee. The general mandate of the Compensation Committee is to examine matters relating to the compensation of the directors and executive officers of the Company with respect to (i) general compensation goals and guidelines and the criteria by which bonuses and stock compensation awards are determined; (ii) amendments to any equity compensation plans adopted by the Board and changes in the number of shares reserved for issuance thereunder; and (iii) other plans that are proposed for adoption or adopted by the Company for the provision of compensation. In accordance with the mandate, the Compensation Committee meets to discuss and determine the recommendations that it will make to the Board of Directors ("**Board**") regarding director and executive compensation based on a review of the performance of the

directors and executive officers and without reference to formal objectives, criteria or analysis. The general objectives of the Company's compensation strategy are to (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; (c) provide a compensation package that is commensurate with other development stage specialty pharmaceutical companies to enable the Company to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that the Company is under by virtue of the fact that it is a development stage specialty pharmaceutical company without a history of earnings.

The Board, upon the recommendation of the Compensation Committee, ensures that total compensation paid to all Named Executive Officers ("**NEOs**"), as hereinafter defined, is fair and reasonable. The Board relies on the experience of its members as officers and directors with other junior companies in assessing compensation levels.

The principal elements of the executive officers' compensation consists of base salary and long-term incentive awards (stock options). Base salary is used to provide Named Executive Officers a set amount of money during the year with the expectation that each Named Executive Officer will perform his responsibilities to the best of his ability and in the best interests of the Company.

The Company considers the granting of incentive stock options to be a significant component of executive compensation as it allows the Company to reward each Named Executive Officer's efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Stock options are generally awarded to executive officers at the commencement of employment and periodically thereafter. The terms and conditions of the Company's stock option grants, including vesting provisions and exercise prices, are governed by the terms of the Company's 2012 Stock Option Plan as approved.

Long Term Compensation and Option-Based Awards

The Company has no long-term incentive plans other than the 2005 Stock Option Plan and the proposed 2012 Stock Option Plan. The Company's directors and officers and certain consultants are entitled to participate in the 2012 Stock Option Plan. The 2012 Stock Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the 2012 Stock Option Plan aligns the interests of the NEO and the Board with shareholders by linking a component of executive compensation to the longer term performance of the Company's common shares.

Stock options are recommended by the Compensation Committee. In monitoring or adjusting the option allotments, the Compensation Committee and the Board take into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the NEO's and the Board. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Compensation Committee also makes the following determinations:

- parties who are entitled to participate in the 2012 Plan;
- the exercise price for each stock option granted, subject to the provision the exercise price of any option must not be less than the greater of the closing market price of the underlying security on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options as permitted by the rules of the CNSX.
- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Compensation Committee makes these determinations subject to and in accordance with the provisions of the proposed 2012 Stock Option Plan. The Compensation Committee and the Board of Directors reviews and approves grants of options on an annual basis and periodically during a financial year. The Company used the Black-Scholes option pricing model for calculating the fair value of options granted. The Black-Scholes model is commonly used by junior public companies.

Set out below are particulars of compensation paid to the following persons (the "Named Executive Officers" or "NEOs")

- (a) the Company's chief executive officer ("CEO");
- (b) the Company's chief financial officer ("CFO");
- (c) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

As at **December 31, 2011**, the end of the most recently completed financial year of the Company, the Company had two (2) NEO(s), whose name(s) and positions held within the Company are set out in the summary compensation table below.

Summary Compensation Table

The following table is a summary of compensation paid to the NEO(s) for each of the Company's three most recently completed financial years.

Name and principal position	Year Ended	Salary (CAD\$) (1)	Share-based awards (\$) (2)	Option-based awards (\$) (2)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation \$(¹)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Douglas H. Unwin, CEO	2011	115,000	NIL	NIL	NIL	NIL	NIL	NIL	115,000
	2010	160,000	NIL	NIL	NIL	NIL	NIL	NIL	160,000
	2009	160,000	NIL	NIL	NIL	NIL	NIL	NIL	160,000
	2008	116,668	36,479 ⁽²⁾	NIL	NIL	NIL	NIL	36,479	153,147
Derick Sinclair, CFO	2011	21,000	NIL	NIL	NIL	NIL	NIL	NIL	21,000
	2010	36,000	NIL	NIL	NIL	NIL	NIL	NIL	36,000
	2009	36,000	NIL	NIL	NIL	NIL	NIL	NIL	36,000
	2008	22,500	NIL	NIL	NIL	NIL	NIL	NIL	22,500

Notes:

1. Perquisites and other personal benefits, securities or property that do not in the aggregate exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus for the Named Executive Officers for the financial year, if any, are not disclosed.
2. Mr. Unwin elected to receive this amount in shares. He received 180,000 Common Shares at a value of \$0.20/share.

Outstanding Option-Based Award

The following table sets forth for the NEOs, the incentive stock options (option-based awards), pursuant to the 2005 Stock Option Plan, outstanding as at December 31, 2011 either granted and vested or were granted in prior years and vested or were amended during the year ended December 31, 2011.

Name	Option-Based Awards			
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$) ⁽¹⁾
Douglas H. Unwin	150,000	0.20	October 14, 2012	0.00
	75,000	0.27	January 31, 2012	0.00
	375,000	0.27	March 5, 2015	0.00
Derick Sinclair	150,000	0.27	September 21, 2012	0.00

Notes:

⁽¹⁾ The fair value of stock options granted and vested during the last financial year is based on the Black-Scholes Option Pricing Model.

Incentive Plan Awards – Value Vested During The Year

The following table sets forth for the NEO's, the value of options vested during the financial year ended on December 31, 2010 and December 31, 2011, for options awarded under the Stock Option Plan, as well as the value earned under non-equity incentive plans for the same period.

Name	Year Ended	Option-Based Awards – Value vested during the year (\$)	Non-Equity Incentive Plan Compensation – Value earned during the year (\$)
Douglas H. Unwin	2011	N/A	N/A
	2010	N/A	N/A
Derick Sinclair	2011	N/A	N/A
	2010	N/A	N/A

Termination and Change of Control Benefits

The Company does not have any contracts, agreements, plans or arrangements that provides for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's responsibilities other than as part of his Employment Agreement the Company entered into with Mr. Unwin effective as of January 1, 2010. This is the only change of control agreement the Company has entered into. In the event of a potential change in control and until twelve (12) months after a change in control, unless Mr. Unwin terminates his employment with the Company for good reason, Mr. Unwin will continue to diligently carry out his duties and obligations under his employment agreement. If within twelve (12) months following a change of control of the Company, Mr. Unwin terminates his employment for good reason, or the issuer terminates his employment other than for cause, the Company is obligated to pay to Mr. Unwin a lump sum equal to twelve (12) months of his then current base salary plus other sums owed for arrears of salary, vacation pay and any performance bonus. In such case, the Company is also obligated to maintain Mr. Unwin's benefits for the twelve (12) month period and his unvested stock options will immediately vest.

Director Compensation

The following table contains information as to compensation paid to the directors of the Company, other than the NEO(s), for the director's services as a director during the financial years ended December 31, 2010 and December 31, 2011, other than the reimbursement of out-of-pocket expense.

Name	Year Ended	Fees earned (\$) ⁽¹⁾	Share-based awards (\$)	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
M. Greg Beniston	2011	11,967	NIL	NIL	NIL	NIL	NIL	NIL
	2010	3,024	NIL	NIL	NIL	NIL	NIL	NIL
Wendi Rodriguez	2011	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	2010	Nil	NIL	NIL	NIL	NIL	NIL	NIL
Douglas Wallis	2011	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	2010	Nil	NIL	NIL	NIL	NIL	NIL	NIL

(1) Compensation for the directors of the Company that are also the NEOs is provided in the Summary Compensation Table above. Mr. Beniston's fees are paid for his services as the company's general legal counsel.

(2) Figures represent the fair value of the options. The Company used the Black-Scholes option pricing model for calculating such fair value, as such model is commonly used by junior public companies.

The Company has no standard arrangement pursuant to which directors are compensated by the Company for their services in their capacity as directors except for the granting from time to time of incentive stock options in accordance with the policies of the Exchange. During the financial year ended December 31, 2010 and 2011, no incentive stock options were granted to directors, including a director who is a NEO.

The following table contains information on outstanding options granted by the Company to the directors, other than the NEOs, as at the end of the financial year ended December 31, 2010 and 2011.

Outstanding Option-based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options
M Greg Beniston	150,000	0.20	October 14, 2012	Nil
	75,000	0.27	January 31, 2012	Nil
	150,000	0.27	August 14, 2013	Nil
Wendi Rodriguez	150,000	0.27	November 4, 2014	Nil
Douglas Wallis	Nil	Nil	Nil	Nil

(1) "Value of unexercised in-the-money options" is calculated by determining the difference between the market value of the securities underlying the options at the date referred to and the exercise price of the options and is not necessarily indicative of the value (i.e. loss or gain) that will actually be realized by the directors.

(2) "in-the-money options" means the excess of the market value of the Company's shares on December 31, 2011 over the exercise price of the options.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as at December 31, 2011 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Year Ended	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (Stock Option Plan)	2011	1,650,000	0.25	448,915
	2010	1,875,000	\$0.25	Nil
Equity compensation plans not approved by security holders	2011	Nil	N/A	Nil
	2011	Nil	N/A	Nil
Total	2011	1,875,000	\$0.25	Nil
	2010	1,650,000	\$0.25	448,915

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors, executive officers, employees, proposed nominees for election as directors or their associates have been indebted to the Company since the beginning of the last completed financial year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein or above, since the commencement of the Company's most recent financial year, no informed person (a director, officer or holder of 10% or more common shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries. See "Executive Compensation".

MANAGEMENT CONTRACTS

The Company is not a party to a management contract with anyone other than directors or Named Executive Officers

STATEMENT OF CORPORATE GOVERNANCE

Corporate Governance

Corporate governance relates to the activities of the Board the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and charged with the day-to-day management of the Company. The Canadian Securities Administrators ("CSA") have adopted National Policy 58-201 Corporate Governance Guidelines, which provides non-prescriptive guidelines on corporate governance practices for reporting issues such as the corporation. In addition, the CSA have implemented National Instrument 58-101 Disclosure of Corporate Governance Practices ("NI 58-101"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Board of Directors

The Board currently consists of four (4) directors, Douglas H Unwin, M Greg Beniston, Wendi Rodriguez, and Douglas Wallis. It is proposed that 4 directors as listed be nominated at the Meeting and one additional vacancy be approved for a later appointment.

The Board consists of a majority of individuals who qualify as independent directors. For this purpose, a director is independent if he or she has no direct or indirect “material relationship” with the Company. A “material relationship” is a relationship which could, in the view of the Company’s Board, be reasonably expected to interfere with the exercise of the director’s independent judgment. Of the proposed nominees, three (3) directors, M Greg Beniston, Wendi Rodriguez, and Douglas Wallis are considered independent. Of the proposed nominees, one (1) director, Douglas H Unwin President and Chief Executive Officer of the Company is considered not independent.

Other Directorships

The following table sets forth the current directors of the Company who are directors of other reporting issuers:

(name)	(other reporting issuers)
Douglas H Unwin	Nil
M Greg Beniston	Nil
Wendi Rodriguez	Nil
Douglas Wallis	Nil

Orientation and Continuing Education

Orientation of new members of the Board is conducted by informal meetings with members of the Board, briefings by management, and the provision of copies of or access to the Company’s documents.

The Company has not adopted formal policies respecting continuing education for Board members. The Company encourages directors to undertake continuing education.

Ethical Business Conduct

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company’s business plan and to meet performance goals and objectives. The Board has adopted a written Code of Business Conduct and Ethics which is available on the SEDAR website located at www.sedar.com “Company Profiles – Pacific Therapeutics Ltd.”.

Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual general meeting. The Board takes in to account the number of directors required to carry out the Board’s duties effectively and to maintain diversity of views and experience.

The Board has not established a nominating committee and this function is currently performed by the Board as a whole.

Compensation

The Board established a formal compensation committee in April, 2010.

Board Committees

Committees of the Board are an integral part of the Company’s governance structure. At the present time, the only standing committees are the Audit and Compensation Committees. Please see the table under the heading “Election of Directors” in this Circular for disclosure of the membership of each committee. Disclosure with respect to the Audit Committee, as required by NI 52-110 – Audit Committee, is contained in Schedule “A” to this Information Circular.

The Committees of the Board of Directors is responsible for: (i) developing and recommending to the Board a set of corporate governance principles applicable to the Company to ensure that the Company's corporate governance system is effective in discharge of its obligations to the Company's stakeholders; (ii) identifying individuals qualified to become new Board members and to recommend to the Board new director nominees from time to time; (iii) establishing and administering a process (including a review by the full Board and discussion with management) for assessing the effectiveness of the Board as a whole and the committees of the Board; (iv) assisting the Board in overseeing the process of evaluation of the Board, its committees and individual directors; (v) establishing, administering and evaluating the compensation philosophy, policies and plans for non-employee directors and executive officers; (vi) ensuring that the Company has in place programs to attract and develop management of the highest caliber and a process to provide for the orderly succession of management; and (vii) making recommendations to the Board regarding director and executive compensation based on a review of the performance of the directors and executive officers.

Assessments

The Board, its committees and individual directors are not regularly assessed with respect to their effectiveness and contribution. The Board believes that such assessments are more appropriate for companies of a larger size and complexity which may have significantly larger boards of directors. Where appropriate the chair of the Board meets with individual directors to discuss their contribution and that of the other directors. Arising from such meetings, if appropriate, the Board considers procedural and substantive changes to increase the effectiveness of the Board, its committees and members.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Company's external auditors and approve, in advance, provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve any non-audit services or additional work that the Chairman of the Audit Committee deems as necessary who will notify the other members of the Audit Committee of such non-audit or additional work.

External Auditor Service Fees

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by the Company to its auditor in each of the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
2011	14,000	35,150	0	0
2010	10,500	3,000	850	0
2009	10,350	5,000	1,150	0

(1) The aggregate audit fees billed.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements that are not included under the heading "Audit Fees".

(3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

(4) The aggregate fees billed for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".

Exemption

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the SEDAR website at www.sedar.com.

Financial information is provided in the Company's comparative financial statements and management's discussion and analysis for its most recently completed financial year will be available online at www.sedar.com .

BY ORDER OF THE BOARD OF DIRECTORS

/s/ "Doug Unwin"

Douglas H. Unwin, President and Chief Executive Officer

SCHEDULE A

AUDIT COMMITTEE

National Instrument 52-110 of the Canadian Securities Administrators (“NI 52-110”) requires the Company, to disclose annually in its Information Circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth in the following.

Audit Committee Disclosure

Pursuant to the Section 224(1) of the British Columbia Business Corporations Act and NI 52-110 the Company is required to have an Audit Committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or an affiliate of the Company. NI 52-110 requires the Company as a venture issuer, to disclose annually its information circular certain information concerning the make up of its Audit Committee and its relationship with its independent auditor.

The primary function of the Audit Committee is to assist the Board in fulfilling its financial oversight responsibilities by reviewing (a) the financial reports and other financial information provided by the Company to regulatory authorities and shareholders; (b) the systems for internal corporate controls which have been established by the Board and management; and (c) overseeing the Company’s financial reporting processes generally. In meeting these responsibilities the Audit Committee monitors the financial reporting process and internal control system; reviews and appraises the work of external auditors and provides an avenue of communication between the external auditors, senior management and the Company’s Board. The Audit Committee is also mandated to review and approve all material related party transactions.

Composition of the Audit Committee

Following the election of the directors pursuant to this Information Circular, the following will be the members of the Audit Committee (“Audit Committee”):

Douglas Wallis	Independent ⁽¹⁾	Financially literate ⁽²⁾
M. Greg Beniston	Independent ⁽¹⁾	Financially literate ⁽²⁾
Douglas Unwin	Non - Independent ⁽³⁾	Financially literate ⁽²⁾

(1) A member of an audit committee is independent if the member has no director or indirect material relationship with the Company that could, in the view of the Board of Directors, reasonably interfere with the exercise of a member’s independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

(3) Mr. Unwin is the Chief Executive Officer of the Company and as such is not considered independent pursuant to NI 52-110. The Audit Committee does not believe that his position materially affects the Audit Committee’s independence from management of the Company.

Relevant Education and Experience

Douglas H. Unwin, B.Sc., MBA

Mr. Unwin is an experienced executive with 18 years of diverse experience. As part of his course work related to obtaining his Master of Business Administration (University of Saskatchewan, 1985) Mr. Unwin completed graduate level courses in financial accounting, cost accounting and management accounting. These courses provided him with the skills required to keep accounting records and analyze completed financial statements as well as apply accounting principles for estimates, accruals and provisions. As an employee of an international accounting firm Mr. Unwin assisted in the development of accounting systems for government, oil and gas exploration and development and mining. In order to develop these systems Mr. Unwin completed numerous in-house courses providing him with a strong understanding of the accounting principles required for a company to produce its financial statements and control its accounting records. In addition the

above assignments required Mr. Unwin to recognize the rules that needed to be applied to properly account for accruals and resource estimates. Mr. Unwin was an Associate with Neuro Discovery Inc., a venture capital company focused on investing in development of drugs for neurological disorders. During his tenure, Mr. Unwin reviewed numerous business plans, analyzed financial statements, completed due diligence assignments and assisted in the structuring of investments. Part of the due diligence process always included an analysis of the potential investees internal controls. Prior to founding the Company, Mr. Unwin was the CEO of Med BioGene Inc., a start-up medical device company. His duties there included assisting in the production of the company's financial statements and working with external accounting professionals on the final statements.

M. Greg Beniston, BA, LLB

Mr. Beniston has a Bachelor of Arts Honors degree with a major in Commerce from Simon Fraser University (1979) and a law degree from the University of British Columbia (1987).

Since 1993, he has been employed as in-house counsel for several privately-held and public companies on the TSX, Nasdaq and NYSE, including serving as corporate secretary. During this tenure, he has worked closely with CFOs and other senior accounting professionals in these organizations and has a good working knowledge of the typical accounting issues faced by organizations and their continuous disclosure requirements, including internal controls, accruals and provisions, taxation, officer certifications, functions of audit committees, records retention, accounting standards, management discussion and analysis, and auditor independence. Mr. Beniston has also been involved with the Company as either a director or officer since its inception in 2005 and has an in-depth knowledge of the complexity of each of its business transactions.

Douglas Wallis, CA

A Chartered Accountant for over thirty (30) years, Doug Wallis specializes in work with Canadian and US public companies. This work involves everything from assisting in the structure of initial public offerings to comprehensive audit services. Mr. Wallis extensive experience in accounting and the rules of professional conduct are also highly valued at Smythe Ratcliffe. Previously, Mr. Wallis served as the Director of Professional Advisory Services for the Institute of Chartered Accountants of BC.

Each member has an understanding of the business in which the Company is engaged and has an appreciation of the financial issues and accounting principles that are relevant in assessing the Company's financial disclosures and internal control systems.

The Audit Committee's Charter

The following is the text of the Audit Committee's Charter.

General

Primary responsibility for the Company's financial reporting obligations, information systems, financial information disclosure, risk management and internal controls is vested in management and overseen by the Board.

The Audit Committee is a standing committee of the Board, the primary function of which is to assist the Board in fulfilling its financial oversight responsibilities, which will include monitoring the quality and integrity of the Company's financial statements and the independence and performance of the Company's external auditor, acting as a liaison between the Board and the Company's auditor, reviewing the financial information that will be publicly disclosed and reviewing all audit processes and the systems of internal controls management and the Board have established.

Composition and Process

1. The Audit Committee will be comprised of a minimum of three directors. All of the members of the Audit Committee will be independent, as that term is defined in National Instrument 52 – 110 *Audit Committees*, unless otherwise exempted by NI 52 - 110.
2. Audit Committee members will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms, which are encouraged to ensure continuity of experience.
3. All members of the Audit Committee will be financially literate, with financial literacy being the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be

raised by the Company's financial statements.

4. The Chair of the Audit Committee will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms. The Audit Committee Chair will arrange for an alternate chair if he or she is planning to be absent.
5. The Audit Committee Chair will, in consultation with management, the external auditor and internal auditor (if any), establish the agenda for Audit Committee meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for review prior to the meeting. The external auditor will also receive notice of all meetings of the Audit Committee. The external auditor will be entitled to attend and speak at each meeting of the Audit Committee concerning the Company's annual audited financial statements, and any other meeting at which the Audit Committee feels it is necessary or appropriate. The Audit Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
6. The Audit Committee will meet a minimum of four times per year, at least once per quarter, and may call special meetings as required. A quorum at meetings of the Audit Committee will be a majority of its members if comprised of an odd number of members and one half of its members if comprised of an even number of members. The Audit Committee may hold its meetings, and members of the Audit Committee may attend meetings, by telephone or video conference call.
7. At all meetings of the Audit Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Audit Committee Chair will not be entitled to a casting vote.
8. The minutes of Audit Committee meetings will accurately record the decisions reached and will be distributed to Audit Committee members with copies to the Board, the CEO, the CFO and the external auditor.
9. The CEO, CFO, any other director or any other person may attend and participate in meetings of the Audit Committee, if invited.

Authority

- The Audit Committee will have unrestricted access to the Company's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
- The Audit Committee will have direct communication channels with the external auditor and internal auditor (if any).
- The Audit Committee will have the authority to retain (or terminate) any outside counsel, advisors or consultants it determines necessary to assist it in discharging its functions, independently of the Board, Chair or CEO. The Audit Committee will be provided with the necessary funding to compensate any counsel, advisors or consultants it retains.
- The Audit Committee will enquire about potential claims, assessments and other contingent liabilities.
- The Audit Committee will periodically review with management depreciation and amortisation policies, loss provisions and other accounting policies for appropriateness and consistency.
- The Audit Committee will, through the Audit Committee Chair, report to the Board following each meeting on the major discussions and decisions made by the Audit Committee, and will report annually to the Board on the Audit Committee's responsibilities and how it has discharged them.

Relationship with External Auditor

- The Audit Committee will establish effective communication processes with management and the external auditor so it can objectively monitor the quality and effectiveness of the external auditor's relationship with the Audit Committee and management.

- The Audit Committee will review and discuss with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor and, if necessary, obtain a formal written statement from the external auditor setting forth all relationships between the external auditor and the Company.
- The Audit Committee will take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor.
- The Company's external auditor must report directly to the Audit Committee.
- The Audit Committee must recommend to the Board:
 - (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
 - (b) the compensation of the external auditor.
- Unless otherwise permitted by NI 52-110, the Audit Committee must pre-approve all non-audit services to be provided by the external auditor, together with estimated fees, and consider the impact, if any, on the independence of the external auditor. The Audit Committee may delegate to one or more of its independent members the authority to pre-approve non-audit services, but no such delegation may be made to management of the Company. The pre-approval of non-audit services by any independent member of the Audit Committee to whom such authority has been granted must be presented to the Audit Committee at its first scheduled meeting following such pre-approval. Non-audit services will include, without limitation, the following:
 - a) Bookkeeping or other services related to the Company's accounting records or financial statements.
 - b) Financial information systems design and implementation.
 - c) Appraisal or valuation services, fairness opinions or contributions-in-kind reports.
 - d) Actuarial services.
 - e) Internal audit outsourcing services.
 - f) Management functions.
 - g) Human resources.
 - h) Broker or dealer, investment adviser or investment banking services.
 - i) Legal services.
 - j) Expert services unrelated to the audit, including tax planning and consulting.
- The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- The Audit Committee will implement structures and procedures as it deems necessary to ensure that it meets with the external auditor on a regular basis independent of management.

Relationship with Internal Auditor (if such position exists)

1. The Audit Committee will review:
 - a) The internal auditor's terms of reference.

- b) The plan and budget for preparation of the internal audit, including financial and operational activities.
 - c) Material reports issued by the internal auditor and management's response to those reports.
2. The Audit Committee will approve the reporting relationship of the internal auditor to ensure appropriate segregation of duties is maintained and the internal auditor has direct access to the Audit Committee.
 3. The Audit Committee will ensure the internal auditor's involvement with financial reporting is co-ordinated with the activities of the external auditor.
 4. If no internal audit function exists, the Audit Committee will regularly review the need for such a function.

Accounting Systems, Internal Controls and Procedures

1. The Audit Committee will obtain reasonable assurance from discussions with and/or reports from management and reports from the external auditor that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Company, its subsidiaries and affiliates. The Audit Committee will review and consider any recommendations made by the external auditor, together with management's response, and the extent to which recommendations made by the external auditor have been implemented.
2. The Audit Committee will ensure that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and will periodically assess the adequacy of those procedures.
3. The Audit Committee will review and discuss with management and the external auditor the clarity and completeness of the Company's financial and non-financial disclosures made pursuant to applicable continuous disclosure requirements.
4. The Audit Committee will review and discuss with management and the external auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
5. The Audit Committee will review and discuss with management and the external auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
6. The Audit Committee will review with the external auditor the quality of the Company's generally accepted accounting principles and direct the external auditor's examinations to particular areas.
7. The Audit Committee will discuss with management and the external auditor the Company's underlying accounting policies and key estimates and judgments to ensure they are considered to be the most appropriate in the circumstances, within the range of acceptable options and alternatives.
8. The Audit Committee will review the procedures of the internal and external auditors to ensure the combined evaluating and testing of the Company's controls are comprehensive, well co-ordinated, cost effective and appropriate to relevant risks and business activities.
9. The Audit Committee will review all control weaknesses and deviations identified by management, the internal auditor or the external auditor together with management's response, and review with the external auditor their opinion of the qualifications and performance of the key financial and accounting executives.
10. The Audit Committee will review and discuss with management and the external auditor any proposed changes in major accounting policies and the financial impact thereof, and will from time to time benchmark the Company's accounting policies to those followed in its industry.
11. The Audit Committee will review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, which will include without limitation a review of:

- (a) The appetite for financial risk as set forth by management and the Board.
 - (b) The Company's policies for the management of significant financial risk.
 - (c) Management's assessment of the significant financial risks facing the Company. Management's plans, processes and programs to manage and control financial risk.
12. The Audit Committee will establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
 13. The Audit Committee will review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
 14. The Audit Committee will review the Company's insurance policies, including directors' and officers' coverage, and make recommendations to the Board.
 15. The Audit Committee will establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under National Instrument 52 – 108 *Auditor Oversight*.

Financial Disclosure Responsibilities

The Audit Committee will review and make recommendations on, prior to presentation to the Board for approval and the Company's dissemination to the public, all material financial information required to be disclosed by securities regulations. In fulfilling this responsibility, the Audit Committee will, without limitation, review:

1. The Company's annual and quarterly financial statements (including those of any subsidiaries and affiliates of the Company), management discussion and analysis and news releases, disclosing financial results and any prospectus, annual information form, offering memorandum or other disclosure documents containing financial information extracted or derived from its financial statements.
2. The Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
3. Disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Other Responsibilities

- Review with the external auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements.
- Investigate fraud, illegal acts or conflicts of interest.
- Discuss selected issues with legal counsel, the external auditor or management, or conduct special reviews or other assignments from time to time as requested by the Board, or by management with the Board's approval.
- Review loans made by the Company to its directors, officers, employees and consultants.
- The Audit Committee will review and assess its effectiveness, contribution and these Terms of Reference annually and recommend any proposed changes thereto to the Board.

Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters

The Audit Committee will inform all employees, at least annually, of the Complaints Officer designated from time to time by the Audit Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters. The Audit Committee Chairman shall act as the Complaints Officer.

The Complaints Officer will keep any complaints or submissions received and the identity of employees making complaints or submissions confidential and only communicate same to the Audit Committee or the Chair of the Audit Committee.

The Complaints Officer will report to the Audit Committee as frequently as he or she deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Audit Committee called to approve interim and annual financial statements of the Company.

Upon receipt of a report from the Complaints Officer, the Audit Committee will discuss the report and take such steps as the Audit Committee may deem appropriate.

The Complaints Officer will retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.