November 23, 2012

LETTER TO SHAREHOLDERS REGARDING POSITIVE RESULTS FROM RECENT CLINICAL TRIAL OF PTL-202 FOR FIBROSIS

Dear Shareholders

As announced on November 13, 2012 our phase 1 clinical trial that began in August 2012 wrapped up in September and had positive outcomes. Data from the trial showed a synergistic relationship resulting in an increase in the Active Ingredients in the blood and an increase in known therapeutic effects without any new side effects. These results may improve the competitiveness and commercial potential of PTL-202. PTL-202 is intended as a treatment for Pulmonary Fibrosis a $2 billion market opportunity. This letter explains these results and their impact on your company with respect to the development of PTL-202, its competitiveness and commercial potential.

With the positive efficacy results from our pre-clinical testing of PTL-202 in animal models of fibrosis in hand your company initiated its first clinical trial of PTL-202 in August of this year. PTL-202 is a fixed dose combination of the approved drugs Pentoxifylline and NAC (the "Active Ingredients"). The development of PTL-202 is targeted at progressive scarring known as fibrosis including Idiopathic Pulmonary Fibrosis ("IPF") and Bronchiolitis Obliterans (excessive scarring) associated with lung transplant and Liver Cirrhosis. IPF is a disease that has no approved therapy in North America and is responsible for more deaths annually than either prostate or breast cancer. The one approved therapy in Europe sells for between 32,000 USD and 36,000 USD per patient per year!

A phase 1 clinical trial is usually intended to test for the safety and toxicity of a new drug being developed. In the case of PTL-202 a combination of approved drugs, the safety profile and toxicity are already well known as the individual active ingredients have been on the market for many years. The question is, if when given in combination are there synergistic effects or new side effects? The phase 1 clinical trial of PTL-202 was designed to test for interaction between the Active Ingredients combined in PTL-202 for synergistic effects and new side effects.

The trial indicated that when given in combination, to healthy males, the amount of the Active Ingredients in the blood of the test subjects was much higher than if the same amount of one of the Active Ingredients alone had been given to the test subjects. In addition the known therapeutic effects such as vasodilation were also enhanced. The increase in known therapeutic effect was consistent with an increased amount of Active Ingredient in the blood. There was a definite synergistic effect. The good news for us is that the planned final dose in our end product may be much smaller than we had originally expected. This should result in a smaller, easier to swallow pill and improved regulatory acceptance as well as improved commercial potential.

The FDA as well as other regulators look very favourably on combination therapies such as PTL-202 when the Active Ingredients in the combination are synergistic and allow for patients to take reduced

409 Granville Street Suite 1023, Vancouver, BC V6C 1T2
Ph: (604) 738-1049 Fax: (604) 738-1094

dosages of drugs. The clinical trial provided us with the evidence of synergy and will allow patients to take smaller doses improving our chance for marketing approval.

Another positive from the trial was that no side effects that had not been reported in other studies of the Active Ingredients were seen. The side effects such as dizziness and nausea seen in the trial had been reported in earlier studies of the Active Ingredients in PTL-202. The side effects were also consistent with the higher amounts of the Active Ingredients from the combination that were in the blood at peak concentrations. This result may bode well for regulatory approval as no new side effects were evident.

Given the positive synergistic effects indicated in this trial, it is very important that the final dosage and formulation of PTL-202 be precise. If the ratio of Active Ingredients in the combination is not precise or the Active Ingredients are released into the body to quickly, the drug's effectiveness may be reduced or patients may not take their medication due to an increase in side effects. This requirement for precise delivery of the Active Ingredients may prevent patients taking existing marketed formulations of the Active Ingredients to attain the same therapeutic effect. In addition none of the approved forms of the Active Ingredients are available as a once a day pill like we are developing. Existing approved forms of the Active Ingredients are required 2 or 3 times a day and may release the Active Ingredients to quickly thus putting too much of the drugs in the blood at one time increasing side effects. Our once a day dosage will be more convenient for the patient and may improve patient compliance as well as efficacy. In addition the reduced chance of side effects may provide physicians with additional incentives to prescribe our combination. Our planned unique slow release formulation and ratio of Active Ingredients will create an added barrier to competition over and above that provided by our patent protection, improving commercial potential.

The number of diagnosed IPF patients in the US is less than 200,000. This prevalence makes IPF an Orphan Disease. We will apply to have PTL-202 designated as a treatment for an orphan disease. This designation will again improve our competitiveness as it will provide for 7 years of exclusivity in marketing PTL-202 for IPF. This strategy may be duplicated in other diseases of excessive scarring.

What's next?

In addition to having completed the above successful clinical trial we have also completed a once a day formulation of PTL-202. We now plan to fine tune the amount of Active Ingredients in the final formulations. These final formulations would be manufactured under what is known as certified Good Manufacturing Practises (cGMP). cGMP is a set of standards produced and enforced by drug regulatory authorities such as the FDA in the United States. All drugs that are approved for sale must be manufactured in a cGMP facility. Completion of this work would provide the product for future trials.

The fine tuning of the dosage and data from the cGMP manufacturing will lead to a regulatory filing, potential dose ranging and proof of principal clinical trial. Data from a proof of principal trial may lead to sale of PTL-202 to a commercialization partner.

ABOUT PACIFIC THERAPEUTICS LTD.

Pacific Therapeutics Ltd is a clinical stage specialty pharmaceutical company focused on the identification and development of drug candidates suitable for reformulation and repurposing. The lead program is focused on diseases of excessive scarring (fibrosis).

The company's lead drug candidate for fibrosis, PTL-202 is a combination of Pentoxifylline (a FDA approved drug used for leg cramps) and N-Acetyl-Cysteine (NAC) an amino acid and an extremely potent and important antioxidant. PTL-202 has completed initial trials in humans and is being developed to treat fibrosis.

The Company's strategy includes reformulating approved drugs to increase efficacy and patient compliance, completing the further clinical testing, manufacturing and other regulatory requirements sufficient to seek marketing authorizations. This strategy may reduce the risk, time and cost of developing therapies by avoiding the risks associated with basic research and using compounds with unknown safety and toxicity profiles.

FORWARD LOOKING STATEMENTS

Certain statements included in this press release constitute forward-looking information or statements (collectively, "forward-looking statements"), including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "may", "will", "should" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts but reflect current expectations regarding future results or events. This press release contains forward looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. The Company does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws.

On Behalf of the Board of Directors

/s/ *Doug Unwin*

Douglas H. Unwin, CEO & President
(604) 738-1049
unwin@pacifictherapeutics.com
www.pacifictherapeutics.com