MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Nine-Months Ended September 30, 2012

Overview

This MD&A has been prepared as of November 27, 2012 and the following information should be read in conjunction with the Issuer's un-audited financial statements for the quarter ended September 30, 2012 together with the notes thereto. The Issuer's financial statements for the period have been prepared in accordance with International Financial Reporting Standards (IFRS). This discussion contains forward-looking statements that involve certain risks and uncertainties. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

Business Overview and Strategy

The Issuer is a clinical stage specialty pharmaceutical company. The Issuer is focused on developing late stage clinical therapies and in-licensed novel compounds for Fibrosis indications. The Issuer's lead compound for fibrosis PTL-202 is a combination of already approved drugs with well established safety profiles. During the quarter the Issuer completed a phase 1 clinical trial of PTL-202 with positive results. PTL-202 is targeted for treatment of rare fibrosis indications including Idiopathic Pulmonary Fibrosis, Liver Cirrhosis, Scleroderma Associated Pulmonary Fibrosis, Lung Transplant Rejection and others. Subsequent to the end of the quarter the Issuer signed a Letter of Intent (LOI) on November 22, 2012 to in license a technology for the sublingual (under the tongue) delivery of drugs. The first product to be developed using the technology will be for erectile dysfunction (ED). The issuer will be able to develop 2 additional drugs under the terms of the LOI. The Issuer's pipeline includes PTL-303, a novel drug for the treatment of Liver Cirrhosis. PTL-303 has shown efficacy in cellular assays.

The Issuer will continue to operate virtually, outsourcing all non-core activities such as pre-clinical research and clinical trials and manufacturing. The Issuer will continue to build core skills in managing clinical development of therapies, licensing and commercialization. The Issuer will use its skills, repurposing and reformulating, developing and commercializing previously marketed drugs. The Issuer's strategy is to sell or out-license its product candidates and technologies after completing Phase 2 clinical trial proof of principal studies. At this stage of development the value of product candidates has been maximized in relation to the capital spent to develop them.

Overall Performance

The Issuer will continue to operate virtually, outsourcing all non-core activities such as pre-clinical research and clinical trials and manufacturing.

Corporate Highlights

In the first nine months of 2012 the Issuer accomplished the following milestones,

- On January 31, 2012, The Company terminated the irrevocable subscription agreements entered into by the Issuer on January 31, 2011 and May 16, 2011. Termination of these agreements will eliminate 3,000,000 shares that are reserved for Issue improving the Issuer's capital structure. The termination also eliminates the 1% per month interest expense on the money that is held in trust as well as transaction costs associated with issuing shares associated with the draw downs.
- On January 31, 2012, an officer and director of the Company exercised 66,666 warrants @ $0.15 per share for net proceeds of $9,999.90

- On March 14, 2012, subject to CNSX Exchange approval, the Company granted 100,000 options pursuant to the Company's stock option plan. The options may be exercised up until March 1, 2014 at an exercise price of $0.15.
- On May 14, 2012 the Issuer held its Annual General Meeting
- On June 7, 2012, the Issuer announced a proposed private placement of up to 3,333,333 units at $0.15 per unit. Each unit consisted of a common share and a whole warrant. The warrant may be exercised for $0.22 up to June 22, 2014.
- On June 15, 2012, the Issuer contracted with Vantage Wire Communications for advertising and media relations services.
- On June 22, 2012, the Issuer closed the first Tranche of a previously announced private placement and issued 789,336 units for proceeds of $118,400. Each unit consisted of a common share and a whole warrant. The warrant may be exercised for $0.22 up to June 22, 2014.
- On June 29, 2012, the Issuer engaged Sustainable Capital Corp. for investor relations services.
- On July 5, 2012 The Issuer, issued a total of 475,000 options to purchase common shares to directors, officers and consultants under the 2012 stock option plan as approved at the issuers previous annual general meeting. The options may be exercised at a price of $0.10 per share for a period of 5 years.
- On August 22, 2012 the Issuer initiated a phase 1 clinical trial of PTL-202. The study protocol called for dosing of 12 normal healthy adult males. This was an open label, non randomized, three treatment, three period single dose study. The trial was completed on September 27, 2012.
- On September 19, 2012 the issuer closed an additional tranche of the previously announced private placement. The second tranche consisted of 741,666 units at a price of $0.15 per unit for aggregate proceeds of CAD $111,250. When combined with the first tranche, the Company has issued a total of 1,531,002 units under the private placement for gross proceeds of $229,650. Each unit consists of one common share in the capital of the Company and one share purchase warrant (the "warrants"), each warrant is exercisable to acquire an additional common share for a period of 2 years from the closing date at a price of $0.22.
- On September 19, 2012 the Issuer also announced that it has entered into an agreement with Gale Capital Corp. to provide business consulting and investor relations services subject to regulatory approval. The term of the contract is for one year and may be terminated by either party after 6 months.

Subsequent Events

- On November 13, 2012 the issuer announced positive outcomes from the phase 1 clinical trial of PTL-202. The trial was designed to test for interaction between the drugs combined in PTL-202. The trial indicated that when given in combination, to healthy males, plasma concentrations of Active Ingredients in PTL-202 is increased and therapeutic effects such as vasodilation are enhanced. Side effects were consistent with the increased concentrations. Given the positive result of this trial, the data from this trial will be used by the Issuer and its development partner, IntelGenx Corp. to fine tune the dosages and delivery profile in the formulated product. PTL-202 is being formulated using the proprietary AdVersa multi-layer controlled release technology from IntelGenx Corp. The combination of a proprietary dosage and delivery may eliminate potential competition from existing manufacturers of Pentoxifylline and NAC.

- On November 22, 2012 the Issuer signed a letter of intent to license a sublingual formulation (dissolves under the tongue) for drugs for erectile dysfunction (ED). In 2011 the total market for drugs for ED exceeded $5 billion. The sublingual formulation improves on existing drugs for erectile dysfunction by acting faster with fewer side effects. As large pharmaceutical companies lose their patents on these drugs

an opportunity has developed for innovative formulations of drugs for ED. This is a positive development for Pacific Therapeutics as it shortens the time to market for the Issuer's first product.

Selected Financial Information

The financial information reported here has been prepared in accordance with IFRS. The Issuer uses the Canadian dollar (CDN) as its reporting currency. Selected un-audited financial data for interim operations of the Issuer for the three months ended March 31, 2012 and March 31, 2011 is presented below:

Selected Statement of Operations Data

Period ended	**Three Months ended September 30, 2012**	**Three Months ended September 30, 2011**	**Nine Months Ended September 30, 2012**	**Nine Months Ended September 30, 2011**
Total revenues	$Nil	$Nil	$Nil	$Nil
Net and Comprehensive loss	$(163,356)	$(115,111)	$(399,548)	$(285,616)
Basic loss per share	$(0.01)	$(0.01)	$(0.02)	($0.02)
Diluted loss per share (Unaudited)	$(0.01)	$(0.01)	$(0.02)	($0.02)
Weighted average shares	21,906,862	17,281,647	21,394,249	17,023,052

The net loss and comprehensive loss from operations of $399,548 for the nine months ended September 30, 2012 increased when compared to the loss and comprehensive loss from operations of $285,616 for the nine months ended September 30, 2011. The increased loss is largely due to increases in ISA – accretion of the deemed discount of $69,520 as well as an increase in advertising and promotion and investor relations in the nine month period ended September 30, 2012 as compared to the nine month period ended September 30, 2011. The $69,520 interest expense is an accretion of the deemed discount associated with the terminated irrevocable subscription agreements. Research and Development expenses increased by $37,116 for the nine months ended September 30, 2012 compared to the nine month period ended September 30, 2011.

Selected Balance Sheet Data

Period ended	**September 30, 2012**	**December 31, 2011**
Cash & Equivalents	$36,004	$6,094
Restricted Cash	$Nil	$300,000
Current assets	$187,870	$325,189
Property and equipment (net of depreciation)	5,000	$6,358
Patents & Licenses (net of amortization)	$87,759	$90,631
Total Assets	$280,629	$422,178
Current liabilities	578,962	$182,071
Non-Current liabilities	$Nil	$406,416
Total liabilities	$578,962	$588,487
Working Capital	$(391,092)	$143,118

Cash and equivalents increased in the first nine months by $29,910 from $6,094 on December 31, 2011 to $36,004 as of September 30, 2012. Restricted cash decreased by $300,000 from $300,000 December 31, 2011 to $Nil on September 30, 2012. This restricted cash was held in escrow under the Irrevocable Subscription Agreements. The cash was returned to subscribers on January 31, 2012 when the Irrevocable Subscription Agreements were terminated.

Comparison of the Quarters ending September 30, 2012 and September 30, 2011

Results of Operations

The net loss and comprehensive loss from operations of $163,356 for the quarter ended September 30, 2012 increased when compared to the loss and comprehensive loss from operations of $115,111 for the quarter ended September 30, 2011. The increased loss is largely due to an increase in investor relations expense, advertising and promotion and stock based compensation in the quarter ended September 30, 2012 as compared to the quarter ended September 30, 2011. Research and development expense increased to $33,309 during the quarter ended September 30, 2012 from $Nil for the quarter ended September 30, 2011. This increase was due to the phase 1 clinical trial of PTL-202 during the quarter ended September 30, 2012.

During the quarter ended September 30, 2012 a total of 1,531,002 units for gross proceeds of $229,650 were issued. Each unit consists of one common share in the capital of the Company and one share purchase warrant (the "warrants") each warrant is exercisable to acquire an additional common share for a period of 2 years from the closing date at a price of $0.22.

Revenues

As the focus of management during the first nine months of 2012 was on completing the formulation of PTL-202 and conducting the phase 1clinical trials for PTL-202, no revenues were realized.

The Issuer has no drug therapies approved or for sale and has not generated any revenue from the sale of drug therapies. The Issuer has not recognized any revenue since inception through September 30, 2012. The Issuer does not expect to receive any revenues until after the completion of the phase 2 trial of PTL-202 or the approval for sale of one of the products utilizing the sublingual delivery technology that was in licensed subsequent to the end of the quarter. The Issuer expects to complete the phase 2 trial of PTL-202 by the end of 2015.

The Issuer's revenues will be earned through upfront payments from licenses, milestone payments included in licenses and royalty income from licenses. The Issuer's revenues will depend on out licensing the Issuer's drug candidates to suitable development and commercialization partners and its partners' abilities to successfully complete clinical trials and commercialize the Issuer's drug candidates worldwide.

Research & Development Expense

Research and development expense consists primarily of salaries for management of research contracts and research contracts for pre-clinical studies, clinical studies and assay development as well as the development of clinical trial protocols and application to government agencies to conduct clinical trials, including consulting services fees related to regulatory issues and business development expenses related to the identification and evaluation of new drug candidates. Research and development costs are expensed as they are incurred.

	Three Months ended September 30, 2012	Three Months ended September 30, 2011	Nine Months ended September 30, 2012	Nine Months ended September 30, 2011
Research and development expenses				
Personnel, consulting and stock-based compensation	$Nil	$Nil	$Nil	$Nil
PTL 202-Phase I trials	$33,309	$Nil	$33,309	$Nil
License fees and subcontract research	$Nil	$Nil	$10,315	$Nil
Facilities and operations	$Nil	$Nil	$Nil	$Nil
LESS:				
Government contributions	$Nil	$Nil	$6,508	$Nil
	$33,309	$Nil	$37,116	$Nil

The increase in R&D expenses in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 is a reflection of the expenses to conduct the phase 1 trial of PTL-202. The Issuer's R&D efforts in the nine months ended September 30, 2012 have been focused on completion of the formulation of PTL-202 under the IntelGenx Development and Commercialization Agreement as well as planning for and getting regulatory approval for the phase 1 trial of PTL-202. Since the signing of the Development and Commercialization Agreement, IntelGenx has been working on the formulation of PTL-202 and has assisted in the initiation of the phase 1 trial of PTL-202.

For the nine months ended September 30, 2012 research and development costs were $37,116 and $Nil for the nine months ended September 30, 2011. The research and development costs for the three months ended September 30, 2012 were composed of $33,309 that was paid to CRBio of India for conducting the Phase 1 clinical trial of PTL-202 as well as insurance costs for the phase 1 trial.

Additional research and development expenses of approximately $205,000 in 2012 - 2013 are required to complete the formulation of PTL-202, manufacture a supply of PTL-202 for clinical trials under cGMP and conduct an additional clinical trial. The results of this work will provide the information required to move PTL-202 to the next step of its development. Of this $205,000 the Issuer will incur expenses of approximately $34,000. The remaining expense of $171,500 will be paid by IntelGenx under the IntelGenx Development and Commercialization Agreement.

Subsequent to the end of the quarter the Issuer completed the formulation, drug/drug interaction study of PTL-202, analyzed the blood samples and analyzed the data from the phase 1 study. The Issuer's clinical development studies and regulatory considerations relating to PTL-202 are subject to risks and uncertainties that may significantly impact its expense estimates and development schedules, including:

- the scope, rate of progress and cost of the development of PTL-202;
- uncertainties as to future results of future clinical trials of PTL-202;
- uncertainties as to future results of the formulation development and phase 2 study of PTL-202;
- the issuers ability to enroll subjects in clinical trials for current and future studies;
- the Issuer's ability to raise additional capital; and
- the expense and timing of the receipt of regulatory approvals.

In addition to the formulation and clinical development plans for PTL-202 the Issuer may begin development of PTL-303 for the treatment of Liver Cirrhosis. The Issuer will only be able to begin development of PTL-303 if additional funds are available. There is no guarantee that these funds will be available to the Issuer and, if they are available, they may not be available on acceptable terms. Development of PTL-303 may significantly impact the Issuer's expense projections and development timelines.

General and Administrative Expenses

General and administrative costs consist primarily of personnel related costs, non-intellectual property related legal costs, accounting costs and other professional and administrative costs associated with general corporate activities.

During the nine months ended September 30, 2012 total general and administrative costs were $270,859 as compared to the nine months ended September 30, 2011 were the total general and administrative costs were $209,804. The increased expense for the nine months ended September 30, 2012 is due to an increase in investor relations activities, advertising and promotion, insurance for the clinical trials and stock based compensation. These increases were offset by a decrease in professional fees of $33,279.

During the three months ended September 30, 2012 total general and administrative costs were $123,194 as compared to the three months ended September 30, 2011 were the total general and administrative costs were $82,256. The increased expense for the three months ended September 30, 2012 is due to an increase in investor relations activities, advertising and promotion, insurance for the clinical trials and stock based compensation. These increases were offset by a decrease in professional fees.

During 2012 and beyond, as PTL-202 begins clinical development and as operations are developed to move PTL-202 and other drug candidates through the clinical trial process, general and administrative expenses will increase. Increases in personnel costs, professional fees and expenses related to additional equipment will make up a significant portion of these planned expenditures.

Intellectual Property and Intangible Assets

All license and option fees paid to licensors for intellectual property licenses are accrued to intangible assets on the Issuer's financial statements. In addition, any expenses for intellectual property protection including patent lawyers services fees and any filing fees with government agencies or the WIPO are accrued to intangible assets.

Interest Expense/(Income)

The interest expense in the nine months ended September 30, 2012 was $91,573 (September 30, 2011 – $75,812). The interest expense increase was due to $69,520 (September 30, 2011 - $Nil) interest accrued on the Irrevocable Subscription Agreements and the amortization of deemed discounts on Irrevocable Subscription Agreements.

The interest expense in the three months ended September 30, 2012 was $6,853 (September 30, 2011 – $32,855). The interest expense decrease was due to the termination of the Irrevocable Subscription Agreements.

Profits

At this time, the Issuer is not anticipating profit from operations. Until such time as the Issuer is able to realize profits from the out licensing of products under development, the Issuer will report an annual deficit and quarterly deficit and will rely on its ability to obtain equity/or debt financing to fund on-going operations. For information concerning the business of the Issuer, please see "*Business Overview and Strategy*".

Stock Based Compensation

The increase in contributed surplus for the nine months ended September 30, 2012, is attributed to options granted under Company's Stock Option Plan. All options were valued using Black-Scholes option pricing model and totaled $31,763. The options granted were as follows: 75,000 previously issued options that vested on March 5, 2012, valued at $5,021; 100,000 two year $0.15 options issued March 14, 2012 which vested immediately valued at $6,542; and 475,000 five year $0.10 options issued July 3, 2012 which vested immediately valued at $20,200.

For the three months ended September 30, 2012 stock based compensation was $20,200 (September 30, 2011 - $Nil).

Selected Quarterly Information

Period ended	**Three Months ended September 30, 2012**	**There Months ended June 30,2012**	**Three Months ended March 31, 2012 (1)**	**Three Months ended December 31, 2011(1)**
Total revenues	$Nil	$Nil	$Nil	$Nil
Net and Comprehensive loss	$(163,356)	$(89,056)	$(147,137)	$(210,252)
Basic loss per share	$(0.01)	$(0.01)	$(0.01)	$(0.01)
Diluted loss per share (Unaudited)	$(0.01)	$(0.01)	$(0.01)	$(0.01)
Weighted average shares(1)	21,906,862	21,232,577	20,966,447	18,172,472
Cash	$36,004	$2,486	$7,221	$6,094
Restricted Cash	$Nil	$Nil	$Nil	$300,000
Total Assets	$280,629	$197,091	$119,505	$422,078
Non-Current Liabilities	$Nil	$Nil	$411,387	$406,416

Period ended	**Three Months ended September 30, 2011(1)**	**Three Months ended June 30,2011**	**Three Months ended March 31, 2011 (1)**	**Three Months ended December 31, 2010(1)**
Total revenues	$Nil	$Nil	$Nil	$Nil
Net and Comprehensive loss	$(115,111)	$(86,660)	$(83,845)	(85,858)
Basic loss per share	$(0.01)	$(0.01)	$(0.01)	(0.01)
Diluted loss per share (Unaudited)	$(0.01)	$(0.01)	$(0.01)	$(0.01)
Weighted average shares(2)	17,281,647	17,106,275	16,306,604	16,350,054
Cash	$4,720	$3,099	$8,557	$30,457
Restricted Cash	$375,000	$375,000	$300,000	$Nil
Total Assets	$495,078	$493,702	$406,277	$119,918
Non-Current Liabilities	$631,640	$593,360	$483,944	$230,696

1. Weighted average shares reported on a post split basis to account the stock split on December 30, 2010

Liquidity and Capital Resources

At September 30, 2012, the Issuer had cash and cash equivalents of $36,004 (December 31, 2011 - $6,094) and a working capital deficiency of $391,092 (December 31, 2011 – $143,118). Working capital is defined as cash and cash equivalents, amounts receivable and prepaid expenses less accounts payable, unearned revenue and security deposit as well as shareholders demand loan and amounts due under the Irrevocable Subscription Agreements within the current fiscal year. At September 30, 2012 the Issuer had restricted cash of $Nil available to it under the Irrevocable Subscription Agreements (September 30,2011 - $300,000). The irrevocable subscription agreements were terminated on January 31, 2012.

The Issuer's cash inflows from financing activities comprised proceeds from issue of shares, exercise of warrants and shareholder short term loan during the first nine months ended September 30, 2012 totalling $296,826 (September 30, 2011 – $109,100).

Cash utilized in operating activities during the nine months ended September 30, 2012 was $266,916 (September 30, 2011 –$116,529). This difference was mostly due to an increase in prepaid expenses of $134,180 in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011.

At September 30, 2012, share capital was $1,996,080 comprising 22,586,826 issued and outstanding Common Shares and $Nil issued and outstanding Series II Preferred Shares (December 31, 2011 – $1,765,754 comprising 20,989,157 issued and outstanding Common Shares and Nil issued and outstanding Class B Preferred Series II shares, and Nil Class B Series I preferred shares). The Issuer's shares were split at a ratio of 1.5 new shares for every 1 existing share on December 30, 2010.

The increase in contributed surplus for the nine months ended September 30, 2012, is attributed to options granted under Company's Stock Option Plan. All options were valued using Black-Scholes option pricing model and totaled $31,763. The options granted were as follows: 75,000 previously issued options that vested on March 5, 2012, valued at $5,021; 100,000 two year $0.15 options issued March 14, 2012 which vested immediately valued at $6,542; and 475,000 five year $0.10 options issued July 3, 2012 which vested immediately valued at $20,200.

As a result of the net loss for the period ending September 30, 2012 of $399,548 (September 30, 2011 – $285,616), the deficit at September 30, 2012 increased to $2,493,663 from $2,094,115 as at December 31, 2011.

At present, the Issuer's operations do not generate cash inflows and its financial success after September 30, 2012 is dependent on management's ability to continue to obtain sufficient funding to sustain operations through the development stage and successfully bring the Issuer's technologies to the point that they may be out licensed so that the Issuer achieves profitable operations. The research and development process can take many years and is subject to factors that are beyond the Issuer's control. See *"Risk Factors"*.

In order to finance the Issuer's future research and development and to cover administrative and overhead expenses in the coming years the Issuer may raise money through equity sales. Many factors influence the Issuer's ability to raise funds, including the Issuer's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of research activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. Should those risks fully materialize, it may not be able to raise adequate funds to continue its operations.

Off Balance Sheet Arrangements

There are currently no off balance sheet arrangements which could have an effect on current or future results or operations or the financial condition of the company.

Transactions with Related Parties

- Accounting fees were paid to Derick Sinclair the company's Chief Financial Officer and a shareholder of $15,104 during the 9 months ended September 30, 2012.
- Salaries, directors fees and other benefits paid during the first nine months of 2012 totaled $62,500.
- Amounts in accounts payable and accrued liabilities owing to a consultant and director of the Company for legal fees as at September 30, 2012 - $14,991 (September 30, 2011, $14,991).
- Amount in accounts payable and accrued liabilities owing to a shareholder and director of the Company for unpaid salary and expenses as of September 30, 2012 - $81,632 (September 30, 2011 - $23,306)
- Amounts in accounts payable and accrued liabilities owing to a shareholder of the Company for accounting fees as of September 30, 2012 - $18,500 (September 30, 2011 - $3,360)

Subsequent Events

- On November 13, 2012 the issuer announced positive outcomes from the phase 1 clinical trial of PTL-202. The trial was designed to test for interaction between the drugs combined in PTL-202. The trial indicated that when given in combination, to healthy males, plasma concentrations of Active Ingredients in PTL-202 is increased and therapeutic effects such as vasodilation are enhanced. Side effects were consistent with the increased concentrations. Given the positive result of this trial, the data from this trial will be used by the Issuer and its development partner, IntelGenx Corp. to fine tune the dosages and delivery profile in the formulated product. PTL-202 is being formulated using the proprietary AdVersa multi-layer controlled release technology from IntelGenx Corp. The combination of a proprietary dosage and delivery may eliminate potential competition from existing manufacturers of Pentoxifylline and NAC.

- On November 22, 2012 the Issuer signed a letter of intent to license a sublingual formulation (dissolves under the tongue) for drugs for erectile dysfunction (ED). In 2011 the total market for drugs for ED exceeded $5 billion. The sublingual formulation improves on existing drugs for erectile dysfunction by acting faster with fewer side effects. As large pharmaceutical companies lose their patents on these drugs an opportunity has developed for innovative formulations of drugs for ED. This is a positive development for Pacific Therapeutics as it shortens the time to market for the Issuer's first product.

Proposed Transactions

On November 22, 2012 the Issuer signed a letter of intent to license a sublingual formulation (dissolves under the tongue) for drugs for erectile dysfunction (ED). In 2011 the total market for drugs for ED exceeded $5 billion. The sublingual formulation improves on existing drugs for erectile dysfunction by acting faster with fewer side effects. As large pharmaceutical companies lose their patents on these drugs an opportunity has developed for innovative formulations of drugs for ED. This is a positive development for Pacific Therapeutics as it shortens the time to market for the Issuer's first product.

We look to complete this license agreement in the first quarter of 2013 and initiate a pivotal bio-equivalency trial.

Changes in Accounting Policies including Initial Adoption

The Issuer has adopted IFRS as discussed in the "Annual MD&A for the years ended December 31, 2010 - *Changes in Accounting Policies including Initial Adoption – International Financial Reporting Standards ("IFRS")"*

Financial Instruments and Other Instruments

The Issuer's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, amounts due to shareholders, irrevocable subscriptions and Class B Series I Preferred Shares. Unless otherwise noted, it is management's opinion that the Issuer is not exposed to significant interest, currency or

credit risks arising from financial instruments. Amounts due to shareholders, irrevocable subscriptions and Class B Series I Preferred Shares are classified as financial liabilities and are carried at amortized cost. The fair value of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

Disclosure of Outstanding Share Data

As at September 30, 2012, the Issuer had an unlimited number of authorized common shares with 22,586,826 common shares issued and outstanding.

As at September 30, 2012 the issuer had 1,525,000 options outstanding. Each option entitles the holder to purchase one additional common share at exercise prices ranging from $0.10 to $0.27 and expiry dates range from October 14, 2012 to March 5, 2015.

As at September 30, 2012 the Issuer had 5,472,508 warrants outstanding. The following table shows the details for the outstanding warrants.

Description of Warrant (include exercise terms, including exercise price)	Number of Warrants outstanding
2011 bonus warrants issued as an inducement for the Irrevocable Subscription Agreements, 1 whole warrant per unit exercisable at $0.15 up until January 31, 2013	2,333,334
2011 Unit warrants, 1 whole warrant per unit exercisable at $0.15 up until January 31, 2013	140,000
2011 Unit warrants, 1 whole warrant per unit exercisable at $0.15 up until February 28, 2013	60,000
2011 bonus warrants issued as an inducement for the Irrevocable Subscription Agreements, 1 whole warrant per unit exercisable at $0.15 up until May 16, 2013	600,000
Preferred shares series 2 warrants, 1 whole warrant per unit exercisable at $0.15 up until October 31, 2013	602,222
2012 Unit warrants, 1 whole warrant per unit exercisable at $0.22 up until June 22, 2014	789,336
2012 Unit warrants, 1 whole warrant per unit exercisable at $0.22 up until September 19, 2014	1,736,502