



**NOTICE OF MEETING**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF THE SHAREHOLDERS**

**To be held on Tuesday August 25, 2015**

**DATED JULY 23, 2015**

**PACIFIC THERAPEUTICS LTD.**  
**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF**  
**SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** an annual general and special meeting (the "**Meeting**") of the shareholders of Pacific Therapeutics Ltd. (the "**Corporation**") will be held at 1500 - 409 Granville Street Vancouver, BC V6C 1T2 on Tuesday August 25, 2015 at 11:00 a.m. (Vancouver time) for the following purposes: to receive and consider the financial statements of the Corporation for the fiscal year ended December 31, 2014, together with the report of the auditors thereon;

1. to fix the number of directors of the Corporation at three (3) persons for the ensuing year;
2. to elect the directors for the ensuing year;
3. to appoint Davidson & Corporation LLP, Chartered Accountants as the auditors of the Corporation and to authorize the directors to fix the auditors' remuneration and the terms of their engagement;
4. to consider, and if thought fit, to pass a special resolution to approve the sale of substantially all of the assets of the Corporation to Forge Therapeutics Inc. (the "**Asset Sale Resolution**");
5. to consider, and if thought fit, to pass an ordinary resolution to approve the Corporation's 2015 Stock Option Plan; and
6. to transact such further or other business as may properly come before the Meeting or any adjournment(s) thereof.

Accompanying this Notice are the Corporation's Management Information Circular, a Form of Proxy or Voting Instruction Form and a request card for use by Shareholders who wish to receive our financial statements. The accompanying Management Information Circular provides information relating to the matters to be addressed at the meeting and is incorporated into this Notice. Shareholders of record as at the close of business on July 23, 2015 (the "**Record Date**") will be entitled to receive notice of and vote at the Meeting.

Shareholders are entitled to vote at the Meeting either in person or by proxy. Those unable to attend are requested to read, complete, date, sign and return the enclosed Form of Proxy to the Transfer Agent, Valiant Trust located at 600-750 Cambie Street Vancouver BC Canada V6B 0A2 or by using the internet through the website of the Corporation's transfer agent's website, <https://proxy.valianttrust.com> as per the instructions provided on the form, on or before 11:00 a.m. (Vancouver time) on August 21, 2015 or 48 hours (excluding Saturdays, Sundays or holidays) prior to the time to which the Meeting may be adjourned or postponed. Notwithstanding the foregoing, the Chair of the Meeting has the discretion to accept proxies received after such deadline.

If you are a non-registered Shareholder of common shares of the Corporation ("**Shares**") and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or such other intermediary. If you do not complete and return the materials in accordance with such instructions, you may lose your right to vote at the Meeting.

The Board of Directors of the Corporation **UNANIMOUSLY** recommends that Colonial Shareholders vote **IN FAVOUR** of the Asset Sale Resolution.

Shareholders who validly dissent from the Asset Sale Resolution will be entitled to be paid the fair value of their Shares, subject to strict compliance with sections 237 to 247 of the *Business Corporations Act* (British Columbia) ("**BCBCA**"). **Failure to comply strictly with the requirements set forth in sections 237 to 247 of the BCBCA may result in the loss of any right of dissent. See "Particulars of Matters to be Acted Upon – E. Proposed Sale of Assets – Dissent Rights" in the accompanying Information Circular.**

Shareholders that do not hold Shares in their own name and who wish to dissent should be aware that only registered holders of Shares are entitled to dissent. Accordingly, a beneficial owner of Shares (i.e., a shareholder who holds his, her or its Shares through an intermediary) desiring to exercise this right must make arrangements for the Shares beneficially owned by such person to be registered in his, her or its name prior to the time the written notice of dissent to the Asset Sale Resolution is required to be received by the Corporation or, alternatively, make arrangements for the registered holder of the Shares to dissent on his, her or its behalf.

DATED at Vancouver, British Columbia, this 23rd day of July, 2015

BY ORDER OF THE BOARD  
Douglas H. Unwin  
President and Chief Executive Officer



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# Pacific Therapeutics Ltd.

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## MANAGEMENT INFORMATION CIRCULAR

### GENERAL PROXY INFORMATION

#### SOLICITATION OF PROXIES

This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by or on behalf of management of Pacific Therapeutics Ltd. (the "Corporation") for use at the annual general and special meeting of shareholders of the Corporation (the "Meeting") to be held on Tuesday August 25, 2015 at 11:00 a.m. (Vancouver time), or any adjournment thereof, at 1500 - 409 Granville Street Vancouver, BC V6C 1T2, for the purposes set out in the accompanying notice of meeting (the "Notice of Meeting").

The solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally, by telephone or other telecommunication by the directors, officers and certain employees of the Corporation at nominal cost. Banks, brokers, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting materials to beneficial owners, and the Corporation will reimburse such persons for reasonable out-of-pocket expenses incurred by them in this connection. The expenses of soliciting proxies, including the cost of preparing, assembling and mailing this proxy material to shareholders, will be borne by the Corporation.

All information in this Circular is given as at July 23, 2015 unless otherwise indicated.

In this Circular, unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

#### Q&A ON PROXY VOTING

**Q: What am I voting on?**

A: Shareholders are voting on: (i) fixing the number of directors at three; (ii) the election of directors to the board of directors of the Corporation (the "**Board**") for the forthcoming year; (iii) the appointment of auditors for the Corporation for the forthcoming year and the authorization of the directors of the Corporation to fix their remuneration and the terms of their engagement; (iv) the approval of the sale of substantially all of the assets of the Corporation to Forge Therapeutics Inc. ("**Forge**") and (v) the approval of the Corporation's 2015 stock option plan (the "**Option Plan**").

**Q: Who is entitled to vote?**

A: Shareholders as of the close of business on July 23, 2015 (the "**Record Date**") are entitled to vote at the Meeting and at any adjournments thereof. Each common share (each a "**Share**" and collectively, the "**Shares**") is entitled to one vote on those items of business identified in the Notice of Meeting.

**Q: How do I vote?**

A: There are several ways you can vote your Shares if you are a registered shareholder:

- (i) By attending the Meeting and voting;
- (ii) By completing, dating and signing the enclosed form of proxy and returning it to the Corporation's transfer agent, Valiant Trust Corporation, by mail or by hand to Suite 600 – 750 Cambie Street, Vancouver, British Columbia, V6B 0A2, Attention: Proxy Department; or
- (iii) By using the internet through the website of the Corporation's transfer agent's website, <https://proxy.valianttrust.com>; provided that you follow the instructions that appear on the screen and refer to the enclosed form of proxy for the holder's account number and the proxy access number.

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

If your Shares are held in the name of a nominee, please refer to the answer to the question "*What if my Shares are held through a brokerage account?*" to determine how you may vote your Shares.

**Q: What if I plan to attend the Meeting and vote in person?**

A: If you are a registered shareholder and plan to attend the Meeting on August 25, 2015 and wish to vote your Shares in person at the Meeting, do not complete or return the form of proxy. Your vote will be taken and counted at the Meeting. Please register with the Corporation's transfer agent, Valiant Trust Corporation, upon arrival at the Meeting. If your Shares are held in the name of a nominee and you wish to attend the Meeting, refer to the answer to the question "*What if my shares are held through a brokerage account?*" for voting instructions.

**Q: Who is soliciting my proxy?**

A: **The enclosed form of proxy is being solicited by management of the Corporation** and the associated costs will be borne by the Corporation. The solicitation will be made primarily by mail but may also be made personally, by telephone or other telecommunication by the directors, officers and certain employees of the Corporation.

**Q: What happens if I sign the form of proxy enclosed with this Circular?**

A: Signing the enclosed form of proxy gives authority to Douglas H Unwin, Current President of the Corporation, or failing him, Douglas Wallis, respectively, or to another person you have appointed, to vote your Shares at the Meeting.

**Q: Can I appoint someone other than these representatives to vote my Shares?**

A: Yes. **Write the name of this person, who need not be a shareholder of the Corporation, in the blank space provided in the form of proxy and return the proxy to the Corporation's transfer agent.** It is important to ensure that any other person you appoint is attending the Meeting and is aware that he or she has been appointed to vote your Shares. Proxyholders should, upon arrival at the Meeting, present themselves to a representative of Valiant Trust Corporation.

**Q: If I change my mind, can I take back my proxy once I have given it?**

A: Yes. A registered shareholder who executes and returns a proxy has the power to revoke it (to the extent that it has not been exercised) by depositing a written statement to that effect executed by the shareholder or his, her or its attorney duly authorized in writing or by electronic signature or by transmitting, by telephonic or electronic means, a revocation that is signed by electronic signature, or, if the shareholder is a corporation, by written instrument executed (under corporate seal if so required by the rules and laws governing the corporation) by a duly authorized signatory of such corporation:

- (i) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. If such written instrument is deposited with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, such instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy;
- (ii) with the Corporation's registrar and transfer agent, Valiant Trust Corporation, by mail or by hand delivery at Suite 600 – 750 Cambie Street, Vancouver, British Columbia, V6B 0A2, Attention: Proxy Department, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof; or

(iii) in any other manner permitted by law.

A registered shareholder who has revoked a proxy may submit another form of proxy bearing a later date and duly depositing the same as described above in the answer to the question "*How do I vote?*"

A non-registered holder may revoke a voting instruction or a waiver of the right to receive the meeting materials or a waiver of the right to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on any such revocation that is not received by the intermediary well in advance of the Meeting.

**Q: How will my Shares be voted if I give my proxy?**

A: On the form of proxy, you can indicate how you want your proxyholder to vote your Shares, or you can let your proxyholder decide for you. If you have specified on the form of proxy how you want your Shares to be voted on a particular issue, then your proxyholder must vote your Shares accordingly. If you have not specified on the form of proxy how you want your Shares to be voted on a particular issue, then your proxyholder can vote your Shares as he or she sees fit. **IN THE ABSENCE OF SUCH DIRECTIONS, HOWEVER, YOUR SHARES WILL BE VOTED IN FAVOUR OF: (I) FIXING THE NUMBER OF DIRECTORS AT THREE; (II) THE ELECTION OF MANAGEMENT'S NOMINEES FOR DIRECTORS NAMED IN THIS CIRCULAR; (III) THE APPOINTMENT OF AUDITORS; (IV) THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE CORPORATION TO FORGE AND (V) THE APPROVAL OF THE 2015 OPTION PLAN.**

**Q: What if amendments are made to these matters or if other matters are brought before the Meeting?**

A: **The persons named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.**

As of the date of this Circular, management of the Corporation knows of no such amendment, variation or other matter expected to come before the Meeting. If any other matters properly come before the Meeting, the persons named in the form of proxy will vote on them in accordance with their best judgment.

**Q: How many Shares are entitled to vote?**

A: On the Record Date, there were 41,096,825 Shares issued and outstanding. Each shareholder has one vote for each Share held at the close of business on the Record Date.

**Q: How will the votes be counted?**

A: Unless otherwise required by law, each question brought before the Meeting is determined by a majority of votes cast on the question. In the case of equal votes, the Chairman of the Meeting is not entitled to a second or casting vote.

**Q: Who counts the votes?**

A: The Corporation's transfer agent, Valiant Trust Corporation, counts and tabulates the proxies. This is done independently of the Corporation to preserve the confidentiality of individual shareholder votes. Proxies are referred to the Corporation only in cases where a shareholder clearly intends to communicate with management or when it is necessary to do so to meet the requirements of applicable law.

**Q: What if my Shares are held through a brokerage account?**

A: If you hold your Shares through a brokerage firm, bank or other intermediary, or in the name of a clearing agency, in most cases you are considered to be a "non-registered" shareholder. **Please refer to the section entitled "Important Information For Non-Registered Shareholders" below for additional information on how to vote your Shares.**

Under the Corporation's articles, the quorum for the transaction of business at the Meeting consists of one or more persons, present in person or by proxy, who, in the aggregate, hold at least 1/20 of the issued shares entitled to be voted at the Meeting.

### **IMPORTANT INFORMATION FOR NON-REGISTERED SHAREHOLDERS**

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are Non-Registered Shareholders because the Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust corporation through which they purchased the Shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Shareholder deals with in respect of their Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as CDS) of which the Intermediary is a participant.

There are two kinds of beneficial owners: those who object to their name being made known to the corporations of securities which they own (called "OBOs" for Objecting Beneficial Owners) and those who do not object (called "NOBOs" for Non-Objecting Beneficial Owners). Corporations 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 Corporations" ("NI 54-101") and corporations can use this NOBO list for distribution of proxy-related materials directly to NOBOs. The Corporation 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 Broadridge Financial Solutions, Inc. ("**Broadridge**"). These voting instruction forms are to be completed and returned 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 and will provide appropriate instructions at the Meeting with respect to the shares represented by voting instruction forms they receive.

The voting instruction form supplied to you by your Intermediary will be similar to the Proxy provided to the Registered Shareholders by the Corporation. 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 in the United States and in Canada. Broadridge mails a voting instruction form in lieu of a Proxy provided by the Corporation. The voting instruction form will name the same persons as the Corporation's Proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a shareholder of the Corporation), 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 Shares to be represented at the Meeting. **If you receive a voting instruction form from Broadridge, you cannot use it to vote 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 Shares voted.**

Although as a Non-Registered Shareholder you may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of your Intermediary, you, or person designated by you, may attend at the Meeting as proxyholder for your Intermediary and vote your Shares in that capacity. If you wish to attend at the Meeting and indirectly vote your Shares as proxyholder for your 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.

## VOTING SHARES AND PRINCIPAL SHAREHOLDERS

The authorized capital of the Corporation consists of an unlimited number of Shares without par value, and an unlimited number of preferred shares without par value. As of the date of this Circular, **41,096,825** Shares were issued and outstanding. Each Share held as of the Record Date is entitled to one vote.

The outstanding Shares are listed for trading on the Canadian Securities Exchange (the "CSE") under the symbol PT, on the pink sheets in the United States as PCFTF and on the Frankfurt exchange as 1P3.

To the knowledge of the Directors and executive officers of the Corporation, the beneficial owners or persons exercising control or direction over Corporation shares carrying more than 10% of the outstanding voting rights are:

Name	Number of Shares	Percentage
Douglas H. Unwin	4,440,667	10.6%

**Notes:** Represents shares owned by shareholder as at July 23, 2015.

The above information was supplied to the Corporation by the shareholders and from the insider reports available at [www.sedi.com](http://www.sedi.com).

As of the date hereof, the directors and executive officers of the Corporation, as a group, owned beneficially, directly or indirectly, or exercised control or direction over, approximately 6,127,187 Shares, representing approximately 14.6% of the outstanding Shares.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### A. FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended December 31, 2014 together with the report of the auditors thereon, will be presented to the shareholders at the Meeting for their review and consideration.

### B. NUMBER OF DIRECTORS

The Articles of the Corporation provide that the Corporation shall have a minimum of three and a maximum of that number of directors as may be fixed or changed from time to time by majority approval from the shareholders. Accordingly, shareholders will be asked to set the number of directors at three (3).

### C. ELECTION OF DIRECTORS

Management of the Corporation proposes to nominate the persons listed below for election as directors to hold office until the next annual meeting or until his successor is appointed, unless his office is earlier vacated in accordance with the *Business Corporations Act* (British Columbia) (the "BCBCA") and the Articles of the Corporation.

None of the nominees are currently members of the Board. Management does not contemplate that any of the nominees will be unable to serve as a director. **However, if a nominee should be unable to so serve for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. The persons named in the enclosed form of proxy intend to vote FOR the election of all of the nominees whose names are set forth below unless otherwise instructed to withhold from voting thereon on a properly executed and validly deposited proxy.**



The following table sets forth certain information concerning management's nominees for election as directors, including the approximate number of Shares beneficially owned, directly or indirectly, by each of them, or over which they exercise control or direction.

Name, Residence and Present Position within the Corporation	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 <sup>(1)</sup>
Derick Sinclair, CA North Vancouver, BC Canada CFO and Corporate Secretary	N/A	835,510	CFO Pacific Therapeutics Ltd. September 1, 2007 to present, Corp. Secretary October 31, 2007 to present, CFO, Cadan Resource Corporation, May 2007 to present, CFO Madeira Minerals Ltd 2009 to present, CFO Viscount Mining Ltd 2010
Brian Gusko, MBA Vancouver, BC, Canada	N/A	359,000	Partner at Howe & Bay Financial Corporation, CFO of Vodis Pharmaceuticals (RZX:cse) Director of Lomiko Metals. (LMR:tsxv), director Arco Resources Corp. (ARR:tsxv), Director Robix Alternative Fuels (RZX:cse), director Newnote Financial Corporation (NEW:cse).
Neil Cox, West Vancouver, BC	N/A	Nil	Student of interdisciplinary economics at the University of British Columbia

Notes:

- (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 Corporation 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.

Pursuant to the requirements of applicable securities legislation, we are providing the following additional biographical information for each of the above directors.

## **Derick Sinclair, B.Comm., CA**

Mr. Sinclair is the Corporation's Chief Financial Officer. He is an experienced executive having worked with US and Canadian public and private companies for over 20 years. Mr. Sinclair began his accounting career in 1982 as an auditor with KPMG Peat Marwick Thorne. He received his CA designation in 1985 and his Bachelor of Commerce (Honours) University of Windsor in 1982. From 1985 to 2003, Mr. Sinclair was employed by BC Rail and its subsidiaries and their successors. He began at BC Rail as a Manager in General Accounting rising in 1998 to the role of CFO & VP Administration Westel Telecommunications Ltd. Mr. Sinclair currently operates DR Financial Services Limited focused on providing controller services to small and medium size public companies. He is also CFO of Cadan Resources Corporation, Madeir Minerals Ltd, and Viscount Mining Ltd publicly traded exploration companies on the TSX Venture Exchange.

## **Brian Gusko, MBA**

Mr. Gusko brings with him significant resource, technology and international business experience. Most recently he has been active as a Board member or CFO of numerous public companies. He currently is CFO of Vodis Pharmaceuticals (RZX:cse) and on the Board of Directors of Lomiko Metals. (LMR:tsxv) and Arco Resources Corp. (ARR:tsxv). In the past year he was on the Board of Robix Alternative Fuels (RZX:cse), Vodis Pharmaceuticals, and Newnote Financial Corporation (NEW:cse). His primary focus is working as a Partner at Howe & Bay Financial Corporation, which is a leading Canadian Capital Markets advisory firm.

## **Neil Cox**

Mr. Cox, has had exposure to various companies and transactions in the exploration and life sciences industries. He currently works and has experience in the service industry, has worked for a non-profit organization and been a volunteer for several other political and environmental organizations. Neil is studying interdisciplinary economics at the University of British Columbia.

## **Orders, Penalties and Bankruptcies**

To the knowledge of the Corporation and other than as set forth below, none of the foregoing nominees for director of the Corporation:

- (a) is, at the date of this Circular, or has been, within ten years before the date of this Circular, a
- (b) director, CEO or CFO of any corporation (including the Corporation) that:
  - (i) was subject of a cease trade or an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "**order**") and that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or
  - (ii) was subject to an order that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity of director, CEO or CFO,
- (c) is, at the date of this Circular, or has been, within ten years before the date of this Circular, a director or executive officer of any corporation (including the Corporation), that, while that person was acting in that capacity, 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, within ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

To the knowledge of the Corporation, no nominee for director of the Corporation has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

## **D. APPOINTMENT OF AUDITORS**

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the reappointment of Davidson & Corporation LLP, Chartered Accountants, as auditors of the Corporation. Davidson & Corporation LLP, Chartered Accountants, were first appointed auditors of the Corporation in 2014. Pursuant to the Articles of the Corporation, the Directors will set the remuneration of the auditors.

**To be approved, the resolution requires the affirmative vote of a majority of the votes cast on the resolution. Proxies received in favour of management will be voted in favour of the appointment of Davidson & Corporation LLP., Chartered Accountants as auditors of the Corporation to hold office until the next annual meeting of shareholders and the authorization of the directors to fix the auditors' remuneration and the terms of their engagement, unless the shareholder has specified in a proxy that his, her or its Shares are to be withheld from voting in respect thereof.**

## **E. PROPOSED SALE OF ASSETS**

Pacific Therapeutics Ltd. was incorporated in British Columbia in September 2005 to develop therapies for unmet medical needs. The Corporation became a reporting issuer in British Columbia and Ontario in November 2011 and was listed for trading on the CSE on November 16, 2011. On September 12, 2013, the Corporation's common shares were listed for quotation in Germany on the Frankfurt exchange under the symbol 1P3. On December 18, 2013, the Corporation received from the Securities and Exchange Commission of the United States of America an order declaring registration effective pursuant to section 12(g) of the Securities and Exchange Act of 1934, as amended. The Corporation's Shares were listed for trading over the counter in the United States in 2014. The Corporation does not have any inter-corporate relationships.

Pacific Therapeutics Ltd. is a development stage specialty pharmaceutical corporation involved in the identification and development of drug candidates to treat erectile dysfunction and treat diseases of excessive scarring including Idiopathic Pulmonary Fibrosis. Its strategy includes reformulating approved drugs to increase efficacy and patient compliance, and completing the further clinical testing, manufacturing and other regulatory requirements sufficient to seek marketing authorizations via the filing of a New Drug Application ("NDA") with the FDA and/or a potential Marketing Application Authorization ("MAA") with the European Medicines Evaluation Agency ("EMA") or similar marketing authorizations by regulators in other countries including Canada.

Pacific's business has not generated any revenue since its inception, which has resulted in an accumulated deficit of \$4,029,057 as at March 31, 2015, its most recently reported quarter. Pacific's management has endeavored to implement various operational and marketing improvements in an effort to improve its operating results, however, results have been slow. Further, management anticipates the possibility of significant research and development expenses required over the next few years, which will require additional financing, the impacts of which would be dilutive to shareholders to the extent the financing is raised through the issuance of securities, or be a further drain on potential revenues to the extent debt financing is available. As such, the Corporation made a strategic decision that it cannot, given its resources, make any additional investment that would be required in order to further develop the business and expand its market opportunities. In addition, management of Pacific believes that its intellectual property is very undervalued due to its corporate structure and a new structure is required to unlock the true value of the assets. The Board of Directors of Pacific has thus determined that Pacific should divest itself of the Assets (as defined herein) while maintaining exposure to any increased value of the Assets and explore other business opportunities with the potential to increase shareholder value.

### **Proposed Transaction**

On May 19, 2015 the Corporation announced in a press release that it had entered into a binding letter agreement to sell the Corporation's technology assets for the development of therapies for fibrosis (PTL-202) and erectile dysfunction (ED) (PTL-2015) (the "**Assets**"). The binding letter agreement was replaced on July 23, 2015 by an Asset Purchase Agreement (the "**Asset Purchase Agreement**") entered into between the Corporation and Forge Therapeutics Inc. ("**Forge**").

Pursuant to the Asset Purchase Agreement, in return for the Assets, Forge agreed to issue to the Corporation 15,000,000 shares of common stock of Forge, which shares are required to be issued within five years of closing of the asset sale. In addition, in the event of a sale by Forge of certain of the Corporation's therapeutic assets to a third party, the Corporation will receive 6% of the value of that transaction. Between the closing of the asset sale to Forge and the issuance of the 15,000,000 shares of common stock, Forge will pay to the Corporation an annual maintenance fee of \$50,000. Forge will also assume up to \$500,000 of debt owed to officers and directors of the Corporation clearing these liabilities from the Corporation's balance sheet. A portion of these \$500,000 in liabilities will be cancelled and forgiven upon closing.

If the 15,000,000 shares are not issued by Forge to the Corporation within 3 years then the Corporation may demand the issuance of the shares by Forge. If at the end of the five years the shares have not been issued then Forge must return the Assets to the Corporation.

In the event that the Corporation's shareholders do not approve this transaction at a special general meeting then Forge will be eligible to receive a break fee of \$100,000 payable in cash or shares of the Corporation.

As at the date of this Circular, no prior or other offers to purchase the Assets have been received by the Corporation.

### **About Forge Therapeutics Inc.**

Forge Therapeutics Inc. is a corporation incorporated under the laws of the State of Wyoming. Forge is pursuing initiatives targeted at the result of developed therapeutic remedies and solutions using both conventional and unconventional methods. By developing therapeutic solutions through a combination of business practices (structuring, asset purchases, joint ventures and finance driven arrangements); the repurposing of existing therapeutic remedies and drugs; using formulation science to provide for lower cost and more quickly developed potential solutions; and placing priority on the rapid development of therapeutic research and solutions to the point of maximum value, for possible eventual joint venture or sale. Forge believes that size appropriate (smaller) organizations can be more effective in carrying out early stage therapeutic research and are focused on leveraging the financial interest in life sciences to provide better solutions to society's need for therapeutic solutions.

### **Summary of the Asset Purchase Agreement**

**The following description of the material provisions of the Asset Purchase Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Asset Purchase Agreement, a copy of which is available under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). Shareholders are encouraged to read the Asset Purchase Agreement in its entirety.**

Pursuant to the terms of the Asset Purchase Agreement, Pacific has agreed to sell and Forge has agreed to purchase the Assets, on the terms and subject to the conditions provided in the Asset Purchase Agreement (the "**Proposed Transaction**"). The purchase price (the "**Purchase Price**") for the Assets consists of a payment of 15,000,000 shares of common stock of Forge (the "**Payment Shares**") plus the assumption by Forge of up to \$500,000 of debt owed by Pacific to officers and directors of Pacific. The Payment Shares may be issued by Forge at its discretion at any time up to 3 years from the closing date. At any time after 3 years and up to 5 years after the closing date, Pacific may force the issuance of the Payment Shares by Forge. In the event that the Payment Shares are not issued by the fifth anniversary of the closing date Forge will be required to return the Assets to the Corporation.

Forge shall pay a maintenance fee of \$50,000 per year to Pacific from the closing date up until the time that the Purchase Price has been paid by issuance of the Payment Shares. The maintenance fee is due annually and may be prepaid by Forge.

In the event that the Assets are sold or licensed to a third party by Forge, a success fee of 6% of the value of the sale price paid to Forge shall be paid to Pacific. The success fee may be paid by Forge in cash or shares of Forge.

Pacific may sell, assign or transfer any of its rights included in the Asset Purchase Agreement, including its right to receive the Payment Shares, the maintenance fee and the success fee, to a third party, subject to the following conditions having been met or waived in writing by Forge:

- i. Pacific is not in breach of the Asset Purchase Agreement and has not been subject to a bankruptcy event;
- ii. written approval of such assignment is obtained from Forge;
- iii. the assignment is permitted by and in accordance with applicable securities laws and would not result in the issuance of the Payment Shares being in contravention of applicable securities laws; and
- iv. Forge will have waived or elected not to exercise its right of first refusal (as described below).

For a period of five years following the closing date, Forge will have a continuous right of first refusal to match any *bona fide* arm's length third party offer (meaning an offer from a third party that can demonstrate their ability and intent to purchase) to acquire any of Pacific's rights under the Asset Purchase Agreement. In the event that Pacific intends to accept any such offer Pacific will promptly provide Forge with a notice setting forth the full particulars of the offer, confirming Pacific's intention to accept the offer and offering to sell such rights to Forge on equivalent terms, in which case the Forge will have 60 days following the receipt of such notice within which to accept Pacific's offer to sell such rights to Forge, failing which the Pacific will be permitted to transfer and assign its rights under the Asset Purchase Agreement.

#### **Sale or Change of Control of the Corporation**

In the event of a purchase of the Corporation or a change of control of the Corporation within five years following the closing date, unless waived by Forge:

- i. if the Payment Shares have not yet been issued, any right to be issued the Payment Shares pursuant to the Asset Purchase Agreement will be extinguished, and Forge will issue to the Corporation a note (the "**Note**") in the principal amount of 75% of the value of the Payment Shares (based on the fair market value of Forge common stock). The Note will be non-interest bearing and repayable within 5 years of the closing date of the Proposed Transaction, and at the option of Forge may be repaid by Forge in cash or common stock, based on the fair market value of the Purchaser's common stock on the date that the Purchaser provides notice to the Corporation of its election to repay the Note in common stock;
- ii. if the Payment Shares have already been issued, Forge will have the option to repurchase all of the Payment Shares from the Corporation in consideration for a payment equal to 75% of the value of the Payment Shares (based on the fair market value of Forge common stock), upon payment of which the Corporation agrees to promptly assign and transfer the Payment Shares to Forge; and
- iii. the Corporation agrees to take all necessary corporate action to appoint to the board of directors of the Corporation that number of director nominees of Forge that is equal to at least one-third of the members of the board of directors and the Corporation agrees that Forge will be entitled (but not obliged) to nominate at least one-third of the members of the board of directors at each meeting of shareholders of the Corporation at which directors are to be elected.

Under the terms of the Asset Purchase Agreement, a purchase of the Corporation or a change of control of the Corporation means: (i) any merger, amalgamation, statutory arrangement, share exchange, business combination, recapitalization, take-over bid, tender offer in respect of the Corporation or offering of securities of the Corporation, or any series of transactions, which results in greater than 49% of the voting shares of the Corporation changing hands or otherwise results in the creation of a new control person (as defined in the *Securities Act* (British Columbia)) of the Corporation, or (ii) any change to more than 60% of the board of directors of the Corporation, other than changes to the board of directors of the Corporation occurring upon or within 30 days of closing of the Proposed Transaction.

In the event that both Parties agree to alter the Asset Purchase Agreement in order to accommodate or partially accommodate an unsolicited proposal, upon the signing by the Parties of an agreement for such altered terms, a cash payment of CDN\$250,000 will be paid to the Party that was otherwise against the acceptance of such unsolicited proposal or partial accommodation of such unsolicited proposal (the “**Unsolicited Proposal Break Fee**”).

In the event that the shareholders of one of the Parties fail to approve the Transaction, the Party having the shareholders that did not approve the Transaction shall pay a break fee to the other Party of CDN\$100,000, (the “**Vote Break Fee**”), or in the event that the Party receiving the Vote Break Fee has incurred costs associated with the Transaction and related activities exceeding CDN\$100,000, the Vote Break Fee paid shall be increased to cover such costs provided such costs in excess of CDN\$100,000 are supported by receipts and invoices. The Vote Break Fee is payable within five business days following the determination by the applicable shareholders to not approve the Transaction.

In the event that either the Unsolicited Proposal Break Fee or the Vote Break Fee becomes due to be paid by a party that does not have the available funds to pay, then the party receiving the break fee may, at its option, require payment of the applicable break fee in the form of the common shares of the paying party. The number of common shares issued for such purposes will be equal to the amount of the Unsolicited Proposal Break Fee or the Vote Break Fee, as applicable, divided by the share price last accepted by an arm’s length third party for the shares of the Party paying the break fee. Any issuance of shares pursuant to a break fee is subject to applicable securities laws, including applicable stock exchange policy and regulations.

## **Dissent Rights**

**The following description of the rights of shareholders to dissent and be paid the fair value for their Shares by virtue of the Proposed Transaction (the “Dissent Rights”) is not a comprehensive statement of the procedures to be followed. It is qualified in its entirety by reference to the full text of Division 2 of Part 8 of the *British Columbia Business Corporations Act* (the “BCBCA”), a copy of which is attached as Schedule “B” to this Circular. A shareholder who intends to exercise Dissent Rights should carefully consider and comply with such provisions of the BCBCA and should seek independent legal advice. Failure to comply with the provisions of the BCBCA may result in the loss of all rights thereunder.**

Pursuant to the BCBCA, a registered shareholder is entitled, in addition to any other right that the shareholder may have, to dissent and to be paid by Pacific the fair value of the Shares in respect of which that shareholder dissents. “Fair value” is determined as of the close of business on the last business day before the day on which the Asset Sale Resolution (as such term is defined below under heading “*Approval of the Proposed Transaction – Shareholder Approval*”) is adopted. A shareholder may dissent only with respect to all of the shareholder’s Shares or Shares held by the shareholder on behalf of any one beneficial owner. Further, a shareholder may only dissent in respect of Shares registered in the dissenting shareholder’s name.

**Beneficial owners of Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered owner of such shares is entitled to dissent. A registered holder such as a broker who holds Shares as nominee for beneficial owners must exercise dissent rights on behalf of such beneficial owners.**

Registered shareholders who intend to exercise the Dissent Rights (“**Dissenting Shareholders**”) must deliver a notice of dissent (a “**Dissent Notice**”) to Pacific at any time before the meeting in care of Valiant Trust 600-750 Cambie Street, Vancouver, BC, Canada V6B 0A2 on or before 5:00 p.m. (Pacific time) on August 21, 2015, or two Business Days before any adjournment of the Meeting and must not vote any common shares with respect to which Dissenting Shareholders are exercising Dissent Rights (“**Dissent Shares**”) in favour of the Arrangement. A vote against the Asset Sale Resolution does not constitute a Dissent Notice and a shareholder who votes in favour of the Asset Sale Resolution will not be considered a Dissenting Shareholder.

If the Asset Sale Resolution is passed at the Meeting, Pacific must promptly send by registered mail to every Dissenting Shareholder a notice (the “**Notice of Intention**”) stating that Pacific intends to complete the Proposed Transaction, and advising the Dissenting Shareholder that if the Dissenting Shareholder intends to proceed with his, her or its exercise of its Dissent Rights, he she or it must deliver to Pacific, within one month after the date of the Notice of Intention, a written statement confirming that the Dissenting Shareholder requires the Corporation to purchase all of such Dissenting Shareholder’s Dissent Shares, together with the certificate(s), if any, representing the Dissent Shares.

A Dissenting Shareholder delivering such a written statement may not withdraw from his, her or its dissent and, at the effective time of the Proposed Transaction, will be deemed to have transferred to Pacific all of his, her or its Dissent Shares (free of any claims). Such Dissenting Shareholders will cease to have any rights as shareholders other than the right to be paid the fair value of their Dissent Shares. Pacific will pay to each Dissenting Shareholder for the Dissent Shares the amount agreed on by Pacific and the Dissenting Shareholder. Either Pacific or a Dissenting Shareholder may apply to the Supreme Court of British Columbia (the “Court”) if no agreement on the amount to be paid for the Dissent Shares has been reached, and the Court may:

- (a) determine the fair value that the Dissent Shares had immediately before the passing of the Asset Sale Resolution, or order that such fair value be established by arbitration or by reference to the registrar or a referee of the Court;
- (b) join in the application each other Dissenting Shareholder who has not reached an agreement with Tuya as to the amount to be paid for the Dissent Shares; or
- (c) make consequential orders and give directions it considers appropriate.

Dissenting Shareholders who are ultimately entitled to be paid fair value for their Shares will be entitled to be paid such fair value and will not be entitled to any other payment or consideration. The names of such shareholders will be removed from Pacific's central securities register.

If a Dissenting Shareholder fails to strictly comply with the requirements of the Dissent Rights set out in the BCBCA it will lose its Dissent Rights, Pacific will return to the Dissenting Shareholder the certificate(s) representing the Dissent Shares that were delivered to Pacific, if any. .

It is a condition to Forge’s obligation to complete the Proposed Transaction that shareholders holding no more than 5% of the Shares shall have exercised Dissent Rights.

**The above is only a summary of the dissenting shareholder provisions of the BCBCA. A shareholder of Pacific wishing to exercise a right to dissent should seek independent legal advice. Failure to comply strictly with the provisions of the statute may prejudice the right of dissent.**

### **Effect of the Proposed Transaction**

Upon completion of the Proposed Transaction, Pacific’s management expects that it will have nil net cash assets and negative working capital. Management will work to identify and evaluate businesses or assets with a view to continuing its business to develop therapies for un-met medical needs. Under the terms of the Asset Purchase Agreement, Pacific will not be able to develop therapies for erectile dysfunction or fibrosis. Pacific will also refrain from developing therapies by repurposing or reformulating existing approved therapies.

The Corporation intends to maintain its listing on the CSE upon completion of the Proposed Transaction. In order to maintain its listing on the CSE, Pacific will be required to meet the continued listing standards of the CSE. If the CSE determines that as a result of the Proposed Transaction Pacific no longer meets the continued listing standards of the CSE, the CSE may, at its discretion, suspend and delist the Shares

### **Future Plans**

None of the current directors of Pacific will stand for re-election. Derick Sinclair will continue in his current position CFO and may join the board of directors if elected (see Part 3 – The Business of the Meeting – Election of Directors and Part 4 – Executive Compensation – Future Plans). The Board of Directors of Pacific intends to identify a suitable life science technology or business that will maximize shareholder value. **There can, however, be no assurance that Pacific will be able to identify any such business opportunity or have sufficient capital available for any such investment; nor can there be any assurance that any such business opportunity, if identified, will ultimately prove successful.**

## **Approval of the Board and Recommendation of the Proposed Transaction**

In reviewing potential strategic alternatives for the future operations of Pacific, management and the Board of Directors of Pacific considered many factors including, but not limited to, the current state of Pacific's business, the lack of liquidity of Pacific's Shares on the CSE, the cash flow requirements of Pacific to operate as a going concern and the costs associated with being a public corporation, and has concluded that proceeding with the Proposed Transaction is in the best interests of Pacific and its shareholders. In reaching its conclusion, the Board of Directors, among other things:

- i. reviewed the prospects for liquidity of the Shares that a new technology offers;
- ii. valued the Assets based on negotiations with the purchaser; and
- iii. considered the terms of the Asset Purchase Agreement.

As a result of the review process, the Board concluded that the best strategy to maximize shareholder equity would be to partner the Assets with a corporation with the ability to develop the Assets to achieve a higher value while eliminating any further investment by Pacific. The Board of Directors did not quantify or otherwise attempt to assign relative weight to the specific factors considered in reaching its determination which are as follows:

- i. Completion of the Proposed Transaction will allow Pacific to pursue a growth strategy to enhance share value.
- ii. The Purchase Price for the Assets is fair based on the nature of the assets being sold.
- iii. The proceeds of the sale of the Assets will allow Pacific to eliminate a large portion of its current debts and the maintenance fee will cover the costs of maintaining the corporation's reporting status and listing on the CSE.
- iv. Pacific's shareholders are expected, upon completion of the Proposed Transaction, to continue to hold shares in a listed public corporation with cash flow, reduced liabilities and a shareholder base as well as an interest in any future increased value in the Assets as they are developed by Forge.

**Based on the above factors, the Board of Directors approved the Proposed Transaction and unanimously recommends shareholders vote in favour of the Asset Sale Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Asset Sale Resolution.**

## **Approval of the Proposed Transaction**

### *Shareholder Approval*

Pursuant to section 301(1) of the BCBCA, a sale, lease or other disposition of all or substantially all of the Corporation's undertaking, other than in the ordinary course of business, requires the approval of the corporation's shareholders by special resolution. As the sale of the Assets will constitute the disposition of all or substantially all of Pacific's undertaking for the purposes of the BCBCA, shareholders will be asked at the meeting to pass a special resolution to approve the sale of the Assets (the "**Asset Sale Resolution**"), the full text of which is set out in Schedule "C" to this Circular. The Asset Sale Resolution is a special resolution and, as such, if two-thirds of the votes that are cast are in favour, then the resolution is approved.

### *Canadian Securities Exchange Approval*

As of the date of this Circular, the Proposed Transaction remains subject to the approval of the CSE. **There can be no assurance that the Exchange's final acceptance of the Proposed Transaction will be given.**

Notwithstanding the Proposed Transaction may be approved by Pacific's shareholders or by the CSE, the Asset Sale Resolution authorizes and empowers the directors of Pacific to amend the Asset Purchase Agreement to the extent permitted by the Asset Purchase Agreement and not to proceed with the Proposed Transaction without further consultation with or direction from shareholders.



## **F. APPROVAL OF 2015 STOCK OPTION PLAN**

### **Approval of 2015 Stock Option Plan**

The Policies of the CSE require all incentive stock option grants to be made pursuant to a stock option plan approved by the Corporation's Shareholders. The Corporation's Stock Option Plan is a "rolling" stock option plan pursuant to which directors, officers, employees and consultants of the Corporation are awarded options to purchase Shares (the "Options"). The 2014 Stock Option Plan was last approved by the Shareholders at the Corporation's previous annual and special meeting of the Shareholders held on September 22, 2014. Pursuant to the policies of the CSE, a "rolling" plan must receive yearly Shareholder approval. The Stock Option Plan is identical to the one previously approved by Shareholders. Accordingly, Shareholders are being asked to approve the current Option Plan known as the "2015 Stock Option Plan" or the "Plan" in accordance with policies of CSE.

The 2015 Stock Option Plan has been established to advance the interests of the Corporation or any of its subsidiaries and affiliates by encouraging the directors, officers, employees and consultants of the Corporation, or any of its subsidiaries or affiliates, to acquire Shares thereby increasing their proprietary interest in the Corporation, encouraging them to remain with the Corporation, or its subsidiaries or affiliates, and providing them with additional incentive in the conduct of their affairs for and on behalf of the Corporation, its subsidiaries and affiliates.

A full copy of the 2015 Stock Option Plan will be available at the Meeting for review by shareholders. Shareholders may also obtain copies of the Plan from the Corporation prior to the Meeting on written request. The following is a summary of the material terms of the Plan:

#### *Details of the Plan*

Some key provisions of the 2015 Stock Option Plan are as follows:

- (a) The aggregate number of Shares reserved for issuance under the Plan must not exceed 10% of outstanding Shares (on a non-diluted basis). The Shares in respect of which Options are not exercised shall be available for subsequent Option grants. No fractional shares may be purchased or issued thereunder;
- (b) the aggregate number of Shares reserved for issuance under the Plan and granted to any one person within a 12 month period may not exceed 5% of the outstanding Shares;
- (c) the issuance of Shares to insiders pursuant to the Plan within a 12 month period may not exceed 10% of the outstanding Shares;
- (d) the issuance of Shares to any one insider and such insider's associates pursuant to the Plan within a 12 month period may not exceed 10% of the outstanding Shares;
- (e) the issuance of Shares to any one Consultant (as such term is defined in the Canadian Securities Exchange Corporate Finance Manual) pursuant to the Plan within a one year period may not exceed 2% of the outstanding Shares.

In the event of a participant ceasing to be a director, officer or employee of the Corporation or a subsidiary of the Corporation for any reason other than death, including the resignation or retirement of the participant as a director, officer or employee of the Corporation or the termination by the Corporation of the employment of the participant, prior to the expiry time of an Option, such Option, if vested, shall cease and terminate on the Ninetieth (90<sup>th</sup>) day following the effective date of such resignation or termination. In the event of the death of a participant on or prior to the expiry time of an Option, such Option, if vested, may be exercised as to such of the Shares in respect of which such Option has not previously been exercised (including in respect of the right to purchase Shares not otherwise vested at such time), by the legal personal representatives of the participant at any time up to and including (but not after) a date one year following the date of death of the participant provided that the Board may extend the date of termination for a period ending up to twelve (12) months from the date of death of the participant or the expiry time of such Option, whichever occurs first.

Pursuant to the 2015 Stock Option Plan, the Corporation can, at any time, have a number of Options outstanding equal to up to 10% of the then outstanding number of Shares. In the event of the exercise or cancellation of any Options, the Corporation could make a further grant of Options, provided that the 10% maximum is not exceeded.

The text of the resolution ratifying and approving the 2015 Stock Option Plan is as follows, subject to any amendments, variations or additions as may be approved at the Meeting:

**RESOLVED:**

- (1) The Corporation's 2015 Stock Option Plan, is hereby approved, confirmed and ratified.
- (2) Any officer or director of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing resolution.

**To be approved, the affirmative vote of a majority of the votes cast on the resolution is required. The Board recommends that Shareholders vote FOR the ratification and approval of the 2015 Stock Option Plan. The persons named in the accompanying form of proxy intend to vote FOR the resolution, unless otherwise instructed on a properly executed and validly deposited proxy.**

## **OTHER BUSINESS**

While management of the Corporation is not aware of any business other than that mentioned in the Notice of Meeting to be brought before the Meeting for action by the shareholders, **it is intended that the proxies hereby solicited will be exercised upon any other matter or proposal that may properly come before the Meeting, or any adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### *Compensation, Philosophy and Objectives*

On April 9, 2010, the Corporation 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 Corporation 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 Corporation 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 Corporation’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 Corporation 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 Corporation is under by virtue of the fact that it is a development stage specialty pharmaceutical corporation 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, directors and consultants 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 Corporation.

The Corporation considers the granting of incentive stock options to be a significant component of executive compensation as it allows the Corporation to reward each Named Executive Officer's efforts to increase value for shareholders without requiring the Corporation 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 Corporation's stock option grants, including vesting provisions and exercise prices, are governed by the terms of the Corporation's 2014 Stock Option Plan (until superseded by the 2015 Stock Option Plan once approved by its shareholders and hence all references to the 2014 Stock Option Plan also include the 2015 Stock Option Plan, as applicable).

#### *Long Term Compensation and Option Based Awards*

The Corporation has no long-term incentive plans other than the 2014 Stock Option Plan. The Corporation's directors and officers and certain consultants are entitled to participate in the 2014 Stock Option Plan. The 2014 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 2015 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 Corporation'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 2015 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 CSE.
- 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 2015 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 Corporation 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 Corporation's chief executive officer ("CEO");
- (b) the Corporation's chief financial officer ("CFO");
- (c) each of the Corporation'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 Corporation, nor acting in a similar capacity, at the end of that financial year.

## COMPENSATION OF EXECUTIVE OFFICERS

### Summary Compensation Table for Named Executive Officers

The following table sets forth all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, for the fiscal years ended December 31, 2014, 2013 and 2012 to the Corporation's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Collectively the CEO and CFO are referred to as the "Named Executive Officers".

Name and principal position	Year Ended	Salary (CAD\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)(1)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Douglas H. Unwin, CEO	2014	160,000	NIL	NIL	NIL	NIL	NIL	NIL	160,000
	2013	155,000	NIL	NIL	NIL	NIL	NIL	NIL	155,000
	2012	100,000	NIL	NIL	NIL	NIL	NIL	NIL	100,000
Derick Sinclair, CFO	2014	36,000	NIL	NIL	NIL	NIL	NIL	NIL	36,000
	2013	34,500	NIL	NIL	NIL	NIL	NIL	NIL	34,500
	2012	18,000	NIL	NIL	NIL	NIL	NIL	NIL	18,000

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.

The Corporation 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 Corporation or a change in an NEO's responsibilities.

### Incentive Plan Awards for Named Executive Officers

#### **Outstanding Share-Based Awards and Option-Based Awards**

The following table sets forth information concerning all option-based and share-based awards for each Named Executive Officer that were granted before, and remain outstanding as of the most recently completed fiscal year ended December 31, 2014.

Name	Option-based Awards(1)				Share-based Awards(3)		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)(2)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Douglas H.	500,000	\$0.06	June 11, 2015	\$Nil	Nil	\$Nil	

Unwin - CEO	150,000	\$0.10	December 21, 2017	\$Nil	Nil	\$Nil
	75,000	\$0.10	July 3, 2017	\$Nil	Nil	\$Nil
	100,000	\$0.10	April 4, 2018	\$Nil	Nil	\$Nil
	100,000	\$0.10	March 2, 2019	\$Nil	Nil	\$Nil
Derick Sinclair - CFO	150,000	\$0.10	December 21, 2017	\$Nil	Nil	\$Nil
	100,000	\$0.10	April 4, 2018	\$Nil	Nil	\$Nil
	100,000	\$0.10	March 2, 2019	\$Nil	Nil	\$Nil

Notes:

- (1) The option-based awards relate to those stock options awarded pursuant to the Option Plan.  
(2) The value of unexercised in-the-money options was calculated based on the difference between the closing price of the Shares underlying the options as at December 31, 2014, the last closing price prior to the Corporation's year end, which was \$0.03 and the exercise price of the option.  
(3) The Corporation does not have any share-based incentive compensation plans outstanding.

### Incentive Plan Awards Value Vested or Earned During the Fiscal Year Ended December 31, 2014

Name	Option-based awards-Value vested during the year (\$) <sup>(1)</sup>	Share-based awards-Value vested during the year (\$)	Non-equity incentive plan compensation-Value earned during the (\$)
Doug H Unwin	Nil	N/A	N/A
Derick Sinclair	Nil	N/A	N/A

Notes:

- (1) All of these options vested immediately on the date of grant, however, as all were granted with exercise prices equal to market price on the grant dates, no optionee would have realized any value if the options had been exercised on the vesting dates.

### Pension Plan Benefits

The Corporation does not have any pension plans that provide for payments of benefits at, following or in connection with retirement or provide for retirement or deferred compensation plans for the Named Executive Officers or directors.

### Termination and Change of Control Benefits

The Corporation 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 Corporation or a change in an NEO's responsibilities other than as part of his Employment Agreement the Corporation entered into with Mr. Unwin effective as of January 1, 2010. This is the only change of control agreement the Corporation 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 Corporation 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 Corporation, Mr. Unwin terminates his employment for good reason, or the corporation terminates his employment other than for cause, the Corporation 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 Corporation is also obligated to maintain Mr. Unwin's benefits for the twelve (12) month period and his unvested stock options will immediately vest.

## COMPENSATION OF DIRECTORS

### Summary Compensation Table for Directors

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation other than the Named Executive Officers, during the fiscal year ended December 31 2014. For

details of the compensation for the Named Executive Officers who are also directors of the Corporation, see disclosure in "Summary Compensation Table for Named Executive Officers".

Name	Fees earned (\$) <sup>(1)</sup>	Share-based awards (\$) <sup>(2)</sup>	Option-based awards (\$) <sup>(3)</sup>	Non-equity incentive plan compensation (\$) <sup>(4)</sup>	Pension value (\$) <sup>(5)</sup>	All other compensation (\$) <sup>(6)</sup>	Total (\$)
M Greg Beniston. Director	Nil	Nil	16,368	Nil	Nil	3,121	19,489
Wendi Rodriguez Director	Nil	Nil	4,092	Nil	Nil	Nil	4,092
Doug Wallis Director	Nil	Nil	4,092	Nil	Nil	Nil	4,092

Notes:

- (1) The Corporation does not have any current plans for the payment of fees to Corporation directors.  
(2) The Corporation does not have any share-based incentive compensation plans outstanding.  
(3) The option values were estimated using the Black-Scholes option pricing model.  
(4) The Corporation does not have any non-equity incentive compensation plans outstanding.  
(5) The Corporation does not have a pension plan  
(6) Denotes fees paid by the Corporation for consulting services provided by Mr. Benison.

The Corporation has no standard arrangement pursuant to which directors are compensated by the Corporation 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 CSE.

### Incentive Plan Awards for Directors

#### Outstanding Share – Based Awards and Option-Based Awards

Name	Option-based Awards <sup>(1)</sup>				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)	Number of Shares or units of Shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(3)</sup> (\$)
M. Greg Beniston	75,000	0.10	July 3, 2017	Nil	Nil	Nil
	150,000	0.10	December 21, 2017			
	50,000	0.10	April 4, 2018			
	200,000	0.10	March 3, 2019			
Wendi Rodriguez	50,000	0.10	April 4, 2018	Nil	Nil	Nil
	50,000	0.10	March 2, 2019			
Doug Wallis	100,000	0.10	July 3, 2017	Nil	Nil	Nil
	50,000	0.10	April 4, 2018			
	50,000	0.10	March 4, 2019			

Notes:

- (1) The option-based awards relate to those stock options awarded pursuant to the Incentive Option Plan.  
(2) The value of unexercised in-the-money options was calculated based on the difference between the closing price of the Shares underlying the options as at December 31, 2014, the last closing price prior to the Corporation's year end, which was \$0.08 and the exercise price of the option.  
(3) The Corporation does not have any share-based incentive compensation plans outstanding.

#### Incentive Plan Awards – Value Vested or Earned During the Fiscal Year Ended December 31, 2014

Name	Option-based awards-Value vested during the year (\$) <sup>(1)</sup>	Share-based awards-Value vested during the year (\$)	Non-equity incentive plan compensation-Value earned during the (\$)
M Greg Beniston	Nil	N/A	N/A
Wendi Rodriguez	Nil	N/A	N/A
Doug Wallis	Nil	N/A	N/A

Notes:

- (1) All of these options vested immediately on the date of grant, however, as all were granted with exercise prices equal to market price on the grant dates, no optionee would have realized any value if the options had been exercised on the vesting dates.

# SECURITIES AUTHORIZED FOR ISSUANCE UNDER THE EQUITY COMPENSATION PLAN

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth aggregated information as at July 23, 2015 with respect to the Stock Option Plan, which is the only compensation plan under which equity securities of the Corporation are authorized for issuance to employees or non-employees such as directors and consultants. For further information regarding the Incentive Stock Option Plan, please see "Part II – Information Concerning the Corporation – Option Plan".

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	4,197,682	N/A	1,097,682
Equity compensation plans not approved by security holders	N/A	Nil	N/A
<b>Total</b>	4,197,682	Nil	1,097,682

## CORPORATE GOVERNANCE AND OTHER MATTERS

### BOARD OF DIRECTORS

There are currently four (4) directors of the Corporation:

Mr. Douglas Unwin  
Dr. Wendi Rodriguez

Mr. Doug Wallis  
Mr. M Greg Beniston

CSE policies require an corporation to have at least two independent directors. Three of the four directors of the Corporation are independent. Mr. Doug Wallis, Dr. Wendi Rodriguez and Mr. M Greg Beniston are considered to be independent directors since they are independent of management and free from any material relationship with the Corporation. Mr. Douglas Unwin, is not considered to be "independent" as a result of his current positions as an officer or other material relationships with the Corporation.

To facilitate the directors of the Corporation functioning independent of management, where appropriate, during regularly scheduled meetings, non-independent directors and members of management are excluded from certain discussions.

### DIRECTORSHIPS

The following directors of the Corporation are also directors of other reporting corporations (or the equivalent) as set forth below:

Director	Other Reporting Corporations
Douglas H Unwin	Nil
M Greg Beniston	Nil
Wendi Rodriguez	Nil
Douglas Wallis	Nil

### ORIENTATION AND CONTINUING EDUCATION

The Board has not adopted a formal policy on the orientation and continuing education of new and current directors. When a new director is appointed, the Board delegates individual directors the responsibility for providing an

orientation and education program for any new director. This may be delivered through informal meetings between the new directors and the Board and senior management, complemented by presentations on the main areas of the Corporation's business. When required the Board may arrange for topical seminars to be provided to members of the Board or committees of the Board. Such seminars may be provided by one or more members of the Board and management or by external professionals.

## **ETHICAL BUSINESS CONDUCT**

The directors encourage and promote a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility.

In addition, some of the directors of the Corporation also serve as directors and officers of other companies, the Board must comply with the conflict of interest provisions of the *Business Corporations Act* (British Columbia), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Each director is required to declare the nature and extent of his interest and is not entitled to vote at meetings which involve such conflict.

## **NOMINATION OF DIRECTORS**

The Board performs the functions of a nominating committee with respect to appointment of directors. The Board believes that this is a practical approach at this stage of the Corporation's development. While there are not specific criteria for board membership, the Corporation attempts to attract and maintain directors with business knowledge, which assists in guiding management of the Corporation.

## **COMPENSATION**

The Corporation established a formal compensation committee in April 2010. The committee reviews, as needed, compensation to directors and to officers with respect to industry comparables and with regards to the particular circumstances of the Corporation.

## **BOARD COMMITTEES**

### **Committees**

Committees of the Board are an integral part of the Corporation'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.

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 Corporation to ensure that the Corporation's corporate governance system is effective in discharge of its obligations to the Corporation'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 Corporation 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 does not have any formal policies to evaluate the effectiveness of the Board, the Audit Committee and the individual directors. The Board may appoint a special committee of the directors to evaluate the Board, its committees and assess the contribution of its individual directors and to recommend any modifications to the functioning and governance of the Board and its committees. To date, the Board has not appointed any such special committees of directors to perform such analysis.



## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No individual who is or, at any time during the most recently completed financial year, was a director or executive officer of the Corporation, and no person who is a proposed nominee for election as a director of the Corporation, and no associate of any such director, executive officer or proposed nominee is, or at any time since the beginning of the last completed financial year, was indebted to the Corporation or any of its subsidiaries.

## **INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON AND INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Management is not aware of any material interest, direct or indirect, of any "informed person" of the Corporation, insider of the Corporation, proposed director, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. An "**informed person**" means: (i) a director or executive officer of the Corporation or of a subsidiary of the Corporation; (ii) any person or corporation who beneficially owns, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation; (iii) a director or officer of a corporation that is itself an informed person of the Corporation or of a subsidiary of the Corporation or (iv) any person who has been a director or officer of the Corporation at any time since the beginning the Corporation's last fiscal year.

### **Audit Committee**

The Audit Committee is responsible for the Corporation's financial reporting process and the quality of its financial reporting. The Audit Committee is charged with the mandate of providing independent review and oversight of the Corporation's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Corporation's external auditors. The Audit Committee also assists the Board in fulfilling its responsibilities in reviewing the Corporation's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Audit Committee maintains effective working relationships with the Board, management, and the external auditors and monitors the independence of those auditors. The Audit Committee is also responsible for reviewing the Corporation's financial strategies, its financing plans and its use of the equity and debt markets.

### **Audit Committee Charter**

The text of the Audit Committee's charter is attached as Schedule "A" to this Circular.

### **Composition of the Audit Committee**

The Audit Committee is comprised of the following members of the Board:

<b>Name</b>	<b>Independent</b>	<b>Financial Literacy</b>
Douglas Unwin	No <sup>(1)</sup>	Yes
M. Greg Beniston	Yes	Yes
Douglas Wallis	Yes	Yes

<sup>(1)</sup> Mr. Unwin is the Chief Executive Officer of the Corporation 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 Corporation.

### **Relevant Education and Experience**

In addition to each member's general business experience, the following describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities:

## **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 corporation to produce its financial statements and control its accounting records. Mr. Unwin was an Associate with Neuro Discovery Inc., a venture capital corporation 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.

## **M. Greg Beniston, BA, LLB**

Mr. Beniston, is an experienced counsel with expertise in technology, corporate/commercial, securities, corporate governance and aviation. Mr. Beniston received his BA (Honours) with a major in Commerce from Simon Fraser University in 1979 and his LLB from the University of British Columbia in 1987. Mr. Beniston devotes less than 10% of his time to the affairs of the Corporation. He was Legal Counsel and Corporate Secretary for Xillix Technologies Corp. (TSX) a cancer imaging corporation from 1993 until 2000 and was Vice President Legal and Corporate Secretary of MDSI Mobile Data Solutions Inc. (TSX, NASDAQ) from 1996 to 2003. From 2007 thru 2013 Mr. Beniston was employed at The CHC Helicopter Group Of Companies as Senior Legal Counsel until December of 2013. Mr. Beniston also served as the Corporation's Corporate Secretary from inception through October, 2007.

## **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. Previously, Mr. Wallis served as a partner at Smyth Radcliff LLP and as the Director of Professional Advisory Services for the Institute of Chartered Accountants of BC.

### **Reliance on Certain Exemptions**

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

### **Audit Committee Oversight**

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

### **Pre-Approval Policies and Procedures**

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Corporation's Board, and where applicable the audit committee, on a case-by-case basis

### **External Auditor Service Fees**

In the following table, "audit fees" are fees billed by the Corporation's external auditor for services provided in auditing the Corporation'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 Corporation'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 Corporation to its auditor for the last three (3) fiscal years ended December 31, 2014, 2013 and 2012.

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
2014	\$ 15,000	\$ 2,381	\$ 3,576	\$ -
2013	\$ 24,480	\$ 8,500	\$3,576	\$ -
2012	\$ 24,500	\$ 900	\$ 2,400	\$ -

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be obtained from the Corporation's website at [www.pacifictherapeutics.com](http://www.pacifictherapeutics.com) or by accessing the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may contact the Corporation at 1500 - 409 Granville Street Vancouver, BC V6C 1T2 to request copies of the Corporation's financial statements and management's discussion and analysis, free of charge.

Financial information is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year.

#### **APPROVAL**

The contents and the sending of this Circular have been approved by the Board.

**DATED** at Vancouver, British Columbia this 23rd day of July, 2015.

By Order of the Board of Directors  
of **PACIFIC THERAPEUTICS LTD.**

*/s/ Doug Unwin*

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Doug Unwin  
President and CEO

## Schedule "A"

### **Pacific Therapeutics Ltd. (the "Corporation")**

#### **AUDIT COMMITTEE CHARTER**

##### **I PURPOSE**

The Audit Committee (the "Committee") will consist of a majority of independent directors and is appointed by the Board of Directors (the "Board") of Pacific Therapeutics Ltd. (the "Corporation") to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The Committee's primary duties and responsibilities are to:

- conduct such reviews and discussions with management and the independent auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel;
- review the quarterly and annual financial statements and management's discussion and analysis of the Corporation's financial position and operating results and report thereon to the Board for approval of same;
- select and monitor the independence and performance of the Corporation's outside auditors (the "Independent Auditors"), including attending at private meetings with the Independent Auditors and reviewing and approving all renewals or dismissals of the Independent Auditors and their remuneration; and provide oversight to related party transactions entered into by the Corporation.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the Independent Auditors as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part IV of this Charter.

##### **II AUTHORITY OF THE AUDIT COMMITTEE**

The Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

##### **III COMPOSITION AND MEETINGS**

1. The Committee and its membership shall meet all applicable legal and listing requirements, including, without limitation, those of the Canadian Securities Exchange ("CSE"), the *Business Corporations Act* (British Columbia) and all applicable securities regulatory authorities.

2. The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair.

3. Each member of the Committee shall be “financially literate” (as defined by applicable securities laws and regulations).

4. The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two of the members of the Committee present either in person or by telephone shall constitute a quorum.

5. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.

6. If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

7. The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by, the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

8. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

9. The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

10. The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as it may see fit, from time to time, to attend at meetings of the Committee.

11. The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

12. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. All decisions or recommendations of the Audit Committee shall require the approval of the Board prior to implementation.

## **IV RESPONSIBILITIES**

### **A Financial Accounting and Reporting Process and Internal Controls**

1. The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with applicable Canadian accounting standards and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review and approve the interim financial statements. With

respect to the annual and interim financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the Independent Auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.

2. The Committee shall review management's internal control report and the evaluation of such report by the Independent Auditors, together with management's response.

3. The Committee shall review the financial statements, management's discussion and analysis relating to annual and interim financial statements, annual and interim earnings press releases and any other public disclosure documents that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information.

4. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection (3), and periodically assess the adequacy of these procedures.

5. The Committee shall meet no less frequently than annually with the Independent Auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, deems appropriate.

6. The Committee shall inquire of management and the Independent Auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management has taken to minimize such risks.

7. The Committee shall review the post-audit or management letter containing the recommendations of the Independent Auditors and management's response and subsequent follow-up to any identified weaknesses.

8. The Committee shall ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel.

9. The Committee shall establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

10. The Committee shall provide oversight to related party transactions entered into by the Corporation.

## **B Independent Auditors**

1. The Committee shall be directly responsible for the selection, appointment, compensation and oversight of the Independent Auditors and the Independent Auditors shall report directly to the Committee.

2. The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.

3. The Committee shall pre-approve all audit and non-audit services (including, without limitation, the review of any interim financial statements of the Corporation by the Independent Auditors at the discretion of the Committee) not prohibited by law to be provided by the Independent Auditors.

4. The Committee shall monitor and assess the relationship between management and the Independent Auditors and monitor, confirm, support and assure the independence and objectivity of the Independent Auditors. The Committee shall establish procedures to receive and respond to complaints with respect to accounting, internal accounting controls and auditing matters.
5. The Committee shall review the Independent Auditor's audit plan, including scope, procedures and timing of the audit.
6. The Committee shall review the results of the annual audit with the Independent Auditors, including matters related to the conduct of the audit, and receive and review the auditor's interim review reports.
7. The Committee shall obtain timely reports from the Independent Auditors describing critical accounting policies and practices, alternative treatments of information within applicable Canadian accounting principles that were discussed with management, their ramifications, and the Independent Auditors' preferred treatment and material written communications between the Corporation and the Independent Auditors.
8. The Committee shall review fees paid by the Corporation to the Independent Auditors and other professionals in respect of audit and non-audit services on an annual basis.
9. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
10. The Committee shall monitor and assess the relationship between management and the external auditors, and monitor and support the independence and objectivity of the external auditors.

#### **C Other Responsibilities**

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

## Schedule "B"

### Division 2 of Part 8 of the *Business Corporations Act* (British Columbia)

#### Dissent Proceedings

##### Definitions and application

237 (1) In this Division:

"**dissenter**" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"**notice shares**" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"**payout value**" means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or

(d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

##### Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles

(i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or

(ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

(c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;



(d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;

(e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;

(f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;

(g) in respect of any other resolution, if dissent is authorized by the resolution;

(h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

(a) prepare a separate notice of dissent under section 242 for

(i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

### **Waiver of right to dissent**

**239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

### **Notice of resolution**

**240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

(b) a statement advising of the right to send a notice of dissent, and

(c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

### **Notice of court orders**

**241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

(a) a copy of the entered order, and

(b) a statement advising of the right to send a notice of dissent.

## Notice of dissent

**242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

(a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

(b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or

(c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of

(i) the date on which the shareholder learns that the resolution was passed, and

(ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

(a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or

(b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

(a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

### **Notice of intention to proceed**

- 243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,
- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
    - (i) the date on which the company forms the intention to proceed, and
    - (ii) the date on which the notice of dissent was received, or
  - (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.
- (2) A notice sent under subsection (1) (a) or (b) of this section must
- (a) be dated not earlier than the date on which the notice is sent,
  - (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
  - (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

### **Completion of dissent**

- 244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,
- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
  - (b) the certificates, if any, representing the notice shares, and
  - (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.
- (2) The written statement referred to in subsection (1) (c) must
- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
  - (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
    - (i) the names of the registered owners of those other shares,
    - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
    - (iii) that dissent is being exercised in respect of all of those other shares.
- (3) After the dissenter has complied with subsection (1),
- (a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

### **Payment for notice shares**

**245** (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

- (a) the company is insolvent, or
- (b) the payment would render the company insolvent.

### **Loss of right to dissent**

**246** The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

### **Shareholders entitled to return of shares and rights**

**247** If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**Schedule "C"**

**Asset Sale Resolution**

**PACIFIC THERAPEUTICS LTD.**  
**(the "Company")**

**BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:**

1. The Asset Purchase Agreement (the "**Asset Purchase Agreement**") made as of July 23, 2015 between the Company and Forge Therapeutics Inc., as the same may be supplemented or amended from time to time, is hereby confirmed, ratified and approved.
2. The sale of all or substantially all of the Company's assets and undertaking (the "**Proposed Transaction**") pursuant to Section 301 of the *Business Corporations Act* (British Columbia) set forth in the Asset Purchase Agreement is hereby approved and authorized.
3. Notwithstanding that these resolutions have been duly passed and the Proposed Transaction approved by the shareholders of the Company, or that the Proposed Transaction has been approved by regulatory authorities have jurisdiction over the common shares of the Company, the directors of the Company are hereby authorized and empowered:
  - (a) to amend the Asset Purchase Agreement to the extent permitted by the Asset Purchase Agreement, or otherwise, and
  - (b) not to proceed with the Proposed Transaction.
4. Any director or officer of the Company is hereby authorized for and on behalf of the Company to execute and deliver all documents and instruments and to take such other actions as such director or officer may determine to be necessary or desirable to implement these resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.