

**EARLY WARNING REPORT  
PURSUANT TO NATIONAL INSTRUMENT 62-103**

**1. *Name and address of the offeror:***

Howe and Bay Financial Corp.  
#605, 1166 Alberni St., Vancouver, BC V6E 3Z3  
(the “Offeror”)

**2. *The designation and number or principal amount of securities and the offeror’s security holding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the report, and whether it was ownership or control that was acquired in those circumstance:***

The Offeror acquired ownership and control of 2,499,999 (Class A) common shares (the “Shares”) of Pacific Therapeutics Ltd. (the “Issuer”). The Offeror acquired 1,833,333 Shares by way of non-brokered private placement of the Issuer, and acquired 666,666 Shares in settlement of outstanding debts owing by the Issuer to the Offeror.

The percentage of common shares of the Issuer owned and controlled by the Offeror is approximately 40.15% of the Issuer’s issued and outstanding common shares.

A news release in connection with the foregoing was issued by the Offeror on March 30, 2016 and filed with Canadian securities regulatory authorities on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com).

**3. *The Designation and number or principal amount of securities and the Offeror’s security holding percentage in the class of securities immediately after the transaction or occurrence giving rise to obligation to file the report:***

Following the acquisition of Shares as described in Item 2 above, the Offeror owns and controls in the aggregate 2,499,999 common shares of the Issuer, representing approximately 40.15% of the current issued and outstanding shares of the Issuer on a non-diluted basis.

4. ***The Designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph 3 over which:***

- (i) ***the offeror, either alone or together with any joint actors, has ownership and control:***

Mr. Gusko and Mr. Horsley are partners (although not controlling partners) of the Offeror and, as such, each has an indirect beneficial interest in the Shares owned and controlled by the Offeror. Mr. Gusko and Mr. Horsley each own and control 25% of the Offeror. Mr. Gusko, Mr. Horsley and the Offeror together own 3,337,964 Shares of the Issuer representing approximately 53.61% of the issued and outstanding Shares.

- (ii) ***the offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the offeror or any joint actor:***

Not Applicable

- (iii) ***the offeror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.***

Not Applicable

5. ***The name of the market in which the transaction or occurrence that gave rise to the news release took place:***

Not Applicable.

6. ***The value, in Canadian dollars, of any consideration offered per security if the Offeror acquired ownership of a security in the transaction or occurrence giving rise to the obligation to file a news release.***

1,833,333 Shares issued to the Offeror at a price of \$0.06/Share (private placement), and 666,666 Shares issued to the Offeror at a deemed price of \$0.06/Share (debt settlement), for an aggregate of 2,499,999 Shares at \$0.06 per Share for a total of \$149,999.94.

7. ***The purpose of the offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer.***

The Offeror acquired the securities for investment purposes and may make additional investments in or dispositions of securities of the Issuer in the open market, by private

agreement or otherwise, depending on price, availability and general market conditions.

8. *The general nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the news release, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities.*

On March 30, 2016 all of the shareholders (the “Shareholders”) who received, or will receive, Shares pursuant to the private placement and the debt settlement entered into a voluntary pooling agreement (the “Pooling Agreement”) pursuant to which each Shareholder agreed, not to, directly or indirectly, sell, transfer or otherwise dispose of any Shares except in accordance with the terms and provisions of the Pooling Agreement which stipulates that the Company and the Shareholders agree that each Shareholder’s Shares shall be released from the pooling arrangements and restrictions set forth in the Pooling Agreement in accordance with the following release schedule: 50% of the Shares released 6 months after the date on which the Shares were issued to the Shareholders pursuant to the Private Placement or the Debt Settlement, as the case may be (the “Closing Date”); and 50% of the Shares released 12 months after the Closing Date.

9. *The names of any joint actors in connection with the disclosure required by this form.*

Mr. Gusko and Mr. Horsley are directors of the Issuer and are also partners of the Offeror.

10. *In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value, in Canadian dollars of the consideration paid by the offeror.*

1,833,333 Shares issued to the Offeror at a total price of \$109,999.98 (private placement), and 666,666 Shares issued to the Offeror at a total deemed price of \$39,999.96 (debt settlement), for an aggregate of 2,499,999 Shares at \$0.06 per Share.

11. *If applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.*

Not Applicable.

12. *If applicable, a description of the exemption from securities legislation being relied on by the offeror and the facts supporting that reliance.*

The 666,666 Shares acquired pursuant to the debt settlement were acquired in reliance upon the shares for debt exemption under section 2.14 of National Instrument 45-106 – *Prospectus Exemptions* and the 1,833,333 Shares acquired pursuant to the non-brokered private placement were acquired in reliance upon section 2.3 of National Instrument 45-106 – *Prospectus Exemptions*.

**DATED** this 30<sup>th</sup> day of March, 2016.

A handwritten signature in black ink, appearing to read "Dan Terrett", written over a horizontal line.

Name: Dan Terrett