

PACIFIC THERAPEUTICS LTD.
(A Development Stage Company)

AMENDED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2016 and 2015
(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

PACIFIC THERAPEUTICS LTD.
Condensed Interim Consolidated Financial Statements
June 30, 2016
(Unaudited – See “Notice to Reader” below)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the condensed interim consolidated financial statements for the period ended June 30, 2016.

PACIFIC THERAPEUTICS LTD.

Amended Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| AS AT: | Notes | June 30, 2016 | December 31, 2015 |
|---------------------------------------|----------|--------------------|--------------------|
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT | | | |
| Cash | | 9,890 | - |
| Prepaid expenses and deposits | | 89,585 | 12,951 |
| Goods and services tax receivable | | 11,249 | 1,744 |
| | | <u>110,724</u> | <u>14,695</u> |
| OTHER | 4 | <u>1</u> | <u>1</u> |
| | | 110,725 | 14,696 |
| LIABILITIES | | | |
| CURRENT | | | |
| Bank overdraft | | - | 141 |
| Trade payable and accrued liabilities | | 299,563 | 333,034 |
| Convertible note | 6 | 61,120 | 62,460 |
| Due to related parties | 7 | <u>265,224</u> | <u>228,471</u> |
| | | <u>625,907</u> | <u>624,106</u> |
| SHAREHOLDERS' DEFICIENCY | | | |
| Share capital | 8 | 3,100,670 | 2,800,010 |
| Shares committed for issuance | | - | 4,800 |
| Equity component of convertible note | | 1,080 | 1,080 |
| Warrant and option reserve | 8 | 118,132 | 121,939 |
| Deficit | | <u>(3,735,064)</u> | <u>(3,537,239)</u> |
| | | <u>(515,182)</u> | <u>(609,410)</u> |
| | | 110,725 | 14,696 |

Nature and Continuance of Operations (Note 1)

Commitment (Note 12)

Subsequent Event (Note 13)

On behalf of the Board:

"Robert Horsley" Director
Robert Horsley

"Brian Gusko" Director
Brian Gusko

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

PACIFIC THERAPEUTICS LTD.

Amended Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| | Note | Three Months Ended | | Six Months Ended | |
|--|------|--------------------|---------------|------------------|---------------|
| | | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | | \$ | \$ | \$ | \$ |
| Expenses: | | | | | |
| Advertising and promotion | | - | - | - | 22,328 |
| Amortization of intangible assets | | - | 1,514 | - | 2,993 |
| Bank charges and interest | | 76 | 846 | 186 | 1,780 |
| Financial instrument recovery | | - | (6,900) | - | (5,900) |
| Insurance | | 9,938 | 1,329 | 9,938 | 2,326 |
| Interest on convertible note | 6 | 830 | 9,022 | 3,660 | 19,424 |
| Office and miscellaneous | | 10,793 | 148 | 12,126 | 498 |
| Professional fees | | 135,641 | 31,917 | 166,641 | 51,930 |
| Rent and occupancy costs | | - | 472 | - | 1,822 |
| Share based payments | | - | - | - | 11,998 |
| Telephone and utilities | | - | - | - | 694 |
| Transfer agent | | 5,794 | 2,145 | 14,794 | 4,336 |
| Travel | | - | 10 | - | 179 |
| Wage and benefits | | - | 40,000 | - | 80,000 |
| | | 163,072 | 80,503 | 207,345 | 194,408 |
| Loan interest | | - | 1,496 | - | 1,496 |
| Exchange (gain)/loss | | (5,713) | 18,307 | (5,713) | 18,307 |
| Net loss and comprehensive loss | | (157,359) | (100,306) | (201,632) | (214,211) |
| Basic and diluted loss per share | | (0.025) | (0.075) | (0.064) | (0.0160) |
| Weighted average number of common shares outstanding | | 6,235,885 | 1,336,956 | 3,145,225 | 1,336,956 |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

PACIFIC THERAPEUTICS LTD.

Amended Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

| | Number of common shares | Share capital \$ | Share Subscriptions received \$ | Shares committed for Issuance \$ | Equity component of convertible note \$ | Warrant and option reserve \$ | Deficit \$ | Total \$ |
|--|-------------------------------|------------------------|--|---|---|--|---------------|-------------|
| Balance at December 31, 2014 | 1,299,221 | 2,760,010 | 30,000 | - | - | 289,766 | (3,955,537) | (875,761) |
| Units exchanged for debt @ \$1.50 | 39,333 | 23,600 | - | - | - | 35,400 | - | 59,000 |
| Units issued for cash @ \$1.50 | 27,333 | 16,400 | (30,000) | - | - | 24,600 | - | 11,000 |
| Shares committed for issuance on exercise of warrants @ \$0.90 | - | - | - | 4,800 | - | (1,200) | - | 3,600 |
| Share based payments | - | - | - | - | - | 11,998 | - | 11,998 |
| Options expired unexercised | - | - | - | - | - | (82,259) | 82,259 | - |
| Loss for the period | - | - | - | - | - | - | (214,211) | (214,211) |
| Balance at June 30, 2015 | 1,365,887 | 2,800,010 | - | 4,800 | - | 278,305 | (4,087,489) | (1,004,374) |
| Balance at December 31, 2015 | 1,365,887 | 2,800,010 | - | 4,800 | 1,080 | 121,939 | (3,537,239) | (609,410) |
| Common shares issued for cash @ \$0.06 | 4,089,332 | 245,360 | - | - | - | - | - | 245,360 |
| Common shares issued for services and debt | 766,666 | 46,000 | - | - | - | - | - | 46,000 |
| Common shares issued to Truevita | 10,000 | 4,500 | - | - | - | - | - | 4,500 |
| Exercise of warrants | 4,000 | 4,800 | - | (4,800) | - | - | - | - |
| Warrants expired unexercised | - | - | - | - | - | (3,807) | 3,807 | - |
| Loss for the period | - | - | - | - | - | - | (201,632) | (201,632) |
| Balance at June 30, 2016 | 6,235,885 | 3,100,670 | - | - | 1,080 | 118,132 | (3,735,064) | (515,182) |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

PACIFIC THERAPEUTICS LTD.

Amended Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|--|--------------------------------------|--------------------------------------|
| | \$ | \$ |
| Cash flows used in operating activities | | |
| Net loss and comprehensive loss | (201,632) | (214,211) |
| Adjustments for items not affecting cash | | |
| Amortization of intangible assets | - | 2,993 |
| Financial instrument recovery | - | (5,900) |
| Interest on convertible note | 3,660 | 19,424 |
| Shares issued for services | 20,000 | - |
| Shares issued to Truevita | 4,500 | - |
| Share based payments | - | 11,998 |
| Changes in non-cash working capital balances | | |
| Goods and services tax receivable | (9,505) | 269 |
| Prepaid expenses and deposit | (76,634) | - |
| Trade payable and accrued liabilities | (7,471) | (335) |
| | (267,082) | (184,254) |
| Cash flows used in investing activities | | |
| Additions to intangible assets | - | (2,782) |
| | - | (2,782) |
| Cash flows from financing activities | | |
| Issue of common shares for cash, net of subscriptions received in advance | 245,360 | 14,600 |
| Convertible note | (5,000) | - |
| Due to related parties | 36,753 | 171,554 |
| | 277,113 | 186,154 |
| Change in cash | 10,031 | (882) |
| Cash (bank overdraft), beginning of period | (141) | 1,513 |
| Cash, end of period | 9,890 | 631 |

Supplemental disclosure with respect to cash flows (Note 11)

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Pacific Therapeutics Ltd. (the "Company" or "PTL") was incorporated under the laws of the Province of British Columbia, Canada on September 12, 2005. The Company is a development stage company focused on developing proprietary drugs to treat certain types of lung disease including fibrosis. On October 14, 2011, the Company became a reporting company in British Columbia and was approved by the Canadian Securities Exchange ("CSE") and opened for trading on November 16, 2011. The Company's registered office is located at Suite 605, 815 Hornby Street, Vancouver, BC, Canada V6Z 2E6.

On March 15, 2016, the Company completed a share consolidation on the basis of thirty pre-consolidation common shares for each post consolidation common share. Upon approval by the Canadian Securities Exchange the Company began trading under the existing symbol "PT" on March 15, 2016. As such, all current and comparative share amounts have been restated to account for the 30 to 1 common share consolidation.

PTL has financed its cash requirements primarily from share issuances and payments from research collaborators. The Company's ability to realize the carrying value of its assets is dependent on successfully bringing its technologies to market and achieving future profitable operations, the outcome of which cannot be predicted at this time. It will be necessary for the Company to raise additional funds for the continuing development of its technologies.

The Company's condensed interim consolidated financial statements as at June 30, 2016 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company had a net loss of \$201,632 for the six months ended June 30, 2016 (June 30, 2015 – \$214,211) and had a working capital deficiency of \$515,182 at June 30, 2016 (December 31, 2015 – \$609,410).

The Company is subject to risks and uncertainties common to drug discovery companies, including technological change, potential infringement on intellectual property of and by third parties, new product development, regulatory approval and market acceptance of its products, activities of competitors and its limited operating history. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim consolidated financial statements follow the same accounting policies and methods of applications our most recent annual financial statements. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

(b) Basis of Presentation

These condensed interim consolidated financial statements were prepared on a historical cost basis and are presented in Canadian dollars which is the Company's functional currency. All financial information has been rounded to the nearest dollar.

(c) Use of Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions that have been made that relate to the following key estimates:

Intangible Assets – impairment

The application of the Company's accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Intangible Assets – useful lives

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

Share-based payments and compensation

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option, volatility and dividend yield and making assumptions about them. The fair value of the underlying common shares is assessed as the most recent issuance price per common share for cash proceeds.

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting standards issued but not yet applied

The following new standards and interpretations are not yet effective and have not been applied in preparing these financial statements. The Company is currently evaluating the potential impacts of these new standards and does not anticipate any material changes to the financial statements upon adoption of this new and revised accounting pronouncement.

- IFRS 9 – *Financial Instruments* (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

4. SALE OF INTANGIBLE ASSETS

On July 24, 2015 (effective on August 25, 2015 with shareholder approval) the Company entered into a definitive agreement with Forge Therapeutics Inc. ("Forge") - a private US company - to sell the Company's patents in the area of the development of therapies for fibrosis and erectile dysfunction.

Proceeds from the sale were a commitment by Forge to issue 15,000,000 common shares.

Subject to the terms of the Agreement, if the 15,000,000 shares are not issued to the Company within 3 years, then the Company may trigger the issuance of the shares, and if at the end of 5 years the shares have not been issued then Forge must return the assets to the Company. In the event of a sale by Forge to a third party of the assets purchased under the Agreement, the Company will receive 6% of the value of that transaction, subject to certain conditions. The Company has assessed that the fair value of the right to receive the shares from Forge is not determinable and accordingly has recorded a nominal value of \$1.

A condition of the sale was that Forge will pay to the Company an annual maintenance fee of \$50,000. In the Company's judgement, no portion of this amount will be recognized until collection can be assured.

5. INTANGIBLE ASSETS - PATENTS

Due to the finite life of the patents which begins from the date of application; the Company amortizes all patent costs over the expected life of the patent. During the year ended December 31, 2015, the Company recognized impairment on its intangible assets of \$67,065 as a result of the Company's inability to raise sufficient funds to develop the assets. The Company disposed of its patents during the Year ended December 31, 2015 (Note 4).

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

| | | |
|-------------------------------------|----|--------|
| Cost | | |
| December 31, 2014 | \$ | 88,079 |
| Additions | | 5,570 |
| Impairment | - | 93,648 |
| Disposition | - | 1 |
| December 31, 2015 and June 30, 2016 | \$ | - |
| Amortization | | |
| December 31, 2014 | \$ | 23,589 |
| Amortization for the period | | 2,993 |
| Impairment | - | 26,582 |
| December 31, 2015 and June 30, 2016 | \$ | - |
| Carrying amounts | | |
| December 31, 2015 | \$ | - |
| June 30, 2016 | \$ | - |

6. CONVERTIBLE NOTES

On September 11, 2014 the Company issued a convertible note for \$50,000 due on September 11, 2015 with an interest rate of 1% per month payable quarterly. The note is unsecured but convertible at the option of the holder into common shares of the Company at a price based on the weighted average closing price of the Company's shares on the Canadian Stock Exchange for the ten (10) trading days immediately preceding the conversion date, less fifteen per cent (15%). The convertible note has both debt and derivative liability characteristics. The Company initially valued the note by calculating the derivative liability component then applying the residual value to the debt component. The derivative liability component of the loan was calculated using the Black-Scholes Pricing Model and was estimated to be \$36,188.

On September 11, 2015, when the note matured the Company was unable to repay the amount owing consisting of principal of \$50,000 and unpaid interest of \$6,000. The note holder agreed to accept and the Company agreed to a penalty of \$5,000 bringing the total owing to \$61,000. The Company and the note holder further agreed to issue a new unsecured convertible note effective September 11, 2015 in the amount of \$61,000 due on September 11, 2016 convertible at the option of the holder into common shares at \$1.50 per share with an interest rate of 1% per month payable quarterly. The fair value of the conversion feature was classified as equity and valued at \$1,080. The present value of the debenture was assessed as \$59,920 based on the face value of \$61,000, term of 1 year, interest of 12% per annum and the discount rate of 14%.

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

At June 30, 2016 and December 31, 2015 the Company's convertible notes were valued as follows:

| | June 30, 2016 | December 31, 2015 |
|--|---------------|-------------------|
| Opening balance | \$ 62,460 | \$ 26,642 |
| Equity component | - | (1,080) |
| Loss on settlement of convertible note | - | 5,000 |
| Principal payment | (5,000) | - |
| Accretion | - | 25,503 |
| Accrued interest | 3,660 | 6,395 |
| | \$ 61,120 | \$ 62,460 |

7. RELATED PARTY TRANSACTIONS AND BALANCES

Due to related Parties

Due to related parties consists of short term amounts loaned, services rendered and expenses paid on behalf of the Company by shareholders of the Company that are unsecured, non-interest bearing, and payable on demand.

| | June 30, 2016 | December 31, 2015 |
|---|---------------|-------------------|
| Amounts owing to the former CFO for a loan, consulting fees, accounting fees and interest on irrevocable subscription agreement ("ISA") | \$ 23,986 | \$ 23,986 |
| Amount owing to a former director for legal fees | 21,328 | 21,328 |
| Amounts owing to a former director for loans and interest on ISA | - | 10,000 |
| Amount owing to directors | 60,000 | - |
| Amount owing to the CFO for consulting | 3,150 | - |
| Amount owing to a former CEO for advances to the Company and for interest on ISA | 156,760 | 173,157 |
| | \$ 265,224 | \$ 228,471 |

Related Party Transactions and Key Management and Personnel Compensation

Payment or accruals to related parties for services provided to the company were:

| | June 30, 2016 | June 30, 2015 |
|--|---------------|---------------|
| Salary paid or accrued for a former CEO | \$ - | \$ 40,000 |
| Consulting fees paid or accrued to the former CFO | - | 9,000 |
| Accounting fees paid or accrued to a company controlled by the former CFO and director | - | 1,500 |
| Legal fees for services provided by a director | - | 933 |
| Directors fees paid through the issuance of shares to directors | 60,000 | - |
| Consulting fees paid or accrued to a company controlled by a director and officer | 26,190 | - |
| Accounting fees paid or accrued to the CFO | 6,000 | - |
| Total key management personnel compensation | \$ 92,190 | \$ 51,433 |

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

Other Transactions with Related Parties

At June 30, 2016 included in prepaid expenses and deposits is \$86,571 paid in advance to a company controlled by a director and officer of the Company for consulting services (Note 12) and a rental deposit.

8. SHARE CAPITAL

Class A Common Shares

Authorized

| | |
|-----------|--|
| Unlimited | Class A common shares without par value |
| 1,500,000 | Class B Series I preferred shares without par value |
| 1,000,000 | Class B Series II preferred shares without par value |

Issued

| | |
|-----------|--|
| 6,221,885 | Class A common shares without par value |
| NIL | Class B Series I preferred shares without par value |
| NIL | Class B Series II preferred shares without par value |

Issued Capital:

The Company entered into a Joint Venture agreement dated March 4, 2016 with 0829489 B.C. Ltd. ("Truevita") for the limited purpose of developing and commercializing Truevita's treatment for immune deficiency and high blood pressure. In connection with the agreement, the Company issued Truevita 300,000 common shares of the Company. The value of the shares was \$4,500 and was included in office and miscellaneous expense for the period ended June 30, 2016.

To date, there has been no activity associated with the Joint Venture.

Stock options and share based payments:

As at June 30, 2016, and December 31, 2015 the following stock options were outstanding and exercisable:

| <u>Expiry Date</u> | <u>Exercise Price \$</u> | <u>30-June-2016</u> | <u>31-December-2015</u> |
|--------------------|--------------------------|---------------------|-------------------------|
| 3-Jul-17 | 3.00 | 833 | 833 |
| 21-Dec-17 | 3.00 | 5,000 | 5,000 |
| 04-Apr-18 | 3.00 | 3,333 | 3,333 |
| 07-Mar-19 | 3.00 | 4,167 | 4,167 |
| Balance | 3.00 | 13,333 | 13,333 |

The options outstanding and exercisable at June 30, 2016, have a weighted average remaining contractual life of 1.90 years (December 31, 2015 – 2.4 years). During the six months ended June 30, 2016, there were no options issued (year ended December 31, 2015 – 13,333). Stock option activity was as follows:

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

| | June 30, 2016 | | December 31, 2015 | |
|------------------------------|---------------------|-------------------|---------------------|-------------------|
| | Options Outstanding | Exercise Price \$ | Options Outstanding | Exercise Price \$ |
| Balance beginning of period | 13,333 | \$ 3.00 | 122,500 | \$ 3.36 |
| Expired/Cancelled | - | - | (122,500) | (3.66) |
| Issued | - | - | 13,333 | 5.81 |
| Balance end of period | 13,333 | \$ 3.00 | 13,333 | \$ 3.00 |

The fair value of share based awards is determined using the Black-Scholes Option Pricing model. The model utilizes certain subjective assumptions including the expected life of the option and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's stock options. The Company used the Black-Scholes Option Pricing Model for multiple stock option grants occurring in 2015. The Company did not issue any stock option during the six months ended June 30, 2016. During the six months ended June 30, 2015, the Company issued 13,333 options: 8,333 3 year options with a strike price of \$7.50 and 5,000 5 year options to a director Wendi Rodriguez with a strike price of \$3.00.

The assumptions used in the Black-Scholes Option Pricing Model for employees, directors and consultants were:

| | June 30, 2016 | June 30, 2015 |
|----------------------------------|---------------|-----------------|
| Expected volatility | - | 299% - 308% |
| Risk free interest rate | - | 0.78% - 1.63% |
| Expected life in years | - | 5 |
| Grant date fair value per option | - | \$1.50 - \$2.40 |
| Forfeiture rate | - | 4% |

Warrants:

As at June 30, 2016, and December 31, 2015, the following share purchase warrants were issued and outstanding:

| Expiry Date | Exercise Price \$ | 30-June-2016 | 31-December-2015 |
|----------------|-------------------|----------------|------------------|
| 28-Feb-16 | 3.00 | - | 23,333 |
| 20-Mar-16 | 4.50 | - | 66,667 |
| 01-Oct-16 | 3.00 | 72,000 | 72,000 |
| 08-Oct-16 | 3.00 | 3,000 | 3,000 |
| 18-Oct-16 | 3.00 | 66,000 | 66,000 |
| 18-Oct-16 | 3.00 | 1,333 | 1,333 |
| 05-Nov-16 | 3.00 | 224,333 | 224,333 |
| 05-Nov-16 | 3.00 | 1,667 | 1,667 |
| Balance | 3.00 | 368,333 | 458,333 |

The warrants outstanding and exercisable at June 30, 2016, have a weighted average remaining contractual life of 0.30 years (2015 – 0.6 years). Warrant activity was as follows:

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

| | June 30, 2016 | | December 31, 2015 | |
|-----------------|-------------------------|----------------------|-------------------------|----------------------|
| | Warrants Outstanding | Exercise Price \$ | Warrants Outstanding | Exercise Price \$ |
| Opening balance | 458,333 | \$ 3.22 | 519,000 | \$ 3.68 |
| Expired | (90,000) | 4.11 | (123,334) | 5.24 |
| Exercised | - | - | (4,000) | 4.50 |
| Issued | - | - | 66,667 | 4.50 |
| Closing balance | 368,333 | \$ 3.00 | 458,333 | \$ 3.22 |

9. CAPITAL DISCLOSURE

The Company considers its capital under management to be comprised of shareholders' deficiency and any debt that it may issue. The Company's objectives when managing capital are to continue as a going concern and to maximize returns for shareholders over the long term. The Company is not subject to any capital restrictions. There has been no change in the Company's objectives in managing its capital.

10. FINANCIAL INSTRUMENTS AND RISK

As at June 30, 2016, the Company's financial instruments consist of cash, trade payable and accrued liabilities, due to related parties, and a convertible note.

The carrying value of trade payables and accrued liabilities, and due to related parties approximate their fair values because of the short term nature of these instruments. The fair value of the convertible note is its face value of \$61,000.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

Of the Company's financial liabilities, \$299,563 are current trade payables and accrued liabilities, \$61,120 is due on September 11, 2016 (Note 6), \$265,224 is due on demand to related parties. The Company manages liquidity risk through management of its capital resources discussed above.

Foreign Exchange Risk

The Company is not exposed to foreign exchange risk on its financial instruments.

Interest Rate Risk

At June 30, 2016, the Company is not exposed to significant interest rate risk as its interest bearing debt is short term at fixed rates.

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

Fair Value

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

Cash is measured using level 1 fair value inputs.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flow.

Period ended June 30, 2016

- a) Pursuant to the issuance of 4,000 common shares for warrants exercised during the prior year, the Company transferred \$4,800 to share capital from shares committed for issuance.
- b) Pursuant to the expiry of warrants, \$3,807 was transferred to deficit from warrant and option reserve.
- c) The Company issued 433,333 common shares for debt of \$26,000 related to expenses incurred during the prior year and was included in trade payable and accrued liabilities.

The Company did not have any non-cash financing and investing transactions during the period ended June 30, 2015.

12. COMMITMENT

On March 28, 2016 the Company signed a consulting agreement with Howe & Bay Financial Corp. ("Consultant"), a related company through a director and officer of the Company. The term of the agreement is for one year and the Company has agreed to pay the Consultant a base fee of \$110,000 for services performed. In addition, the Company has agreed to pay the following finders' fees if applicable:

- a finder's fee of 8% for any capital raised through introduction from the Consultant;
- a finder's fee of 10% for any introduction that results in an asset acquisition or merger for three years after the introduction (calculated as 10% of the value of the total transaction); and
- a finder's fee of 1% for any introduction from the Consultant that results in debt financing.

The Company paid the base fee upfront and at year end \$78,571 was included in prepaid expenses and deposits on the statement of financial position.

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements
For the period ended June 30, 2016 and 2015
(Expressed in Canadian Dollars - Unaudited)

13. SUBSEQUENT EVENT

On July 26, 2016, the Company entered into a letter of intent (the "LOI") with Tower Three Wireless SAS ("Tower Three") to acquire all of the issued and outstanding membership interests of Tower Three (the "Transaction"). The Company will have until October 30, 2016 to conduct due diligence on Tower Three, with a view to negotiating the terms of a definitive agreement in order to complete the Transaction.

Pursuant to the terms of the LOI, in consideration of the Transaction, the Company will issue 30,000,000 common shares of the Company at a deemed price of \$0.10 per common share to the existing members of Tower Three on a pro-rata basis in exchange for 100% ownership of all of the issued and outstanding membership interests of Tower Three.

The Transaction is subject to the Company completing an equity financing (the "Concurrent Financing") by way of a private placement of units (the "Units") to raise a minimum \$750,000 and up to a maximum \$1,500,000 at an intended price of \$0.15 per Unit. Each Unit will consist of one common share and one common share purchase warrant. Each full warrant will entitle the holder to purchase an additional common share at the price of \$0.40 per share for a period of twelve months from the closing of the Transaction. Should the Company's share price trade at \$0.60 per share for 10 consecutive trading days then the Company will have the option to give notice to the warrant holders to accelerate the exercise of the warrants within 10 days or the warrants will expire. The parties acknowledge that the funds from the Concurrent Financing will be held in escrow and not released until the Canadian Securities Exchange ("CSE") approves the Transaction on such terms to be more particularly described in the definitive

agreement. The Company may pay finder fees in connection with the Concurrent Financing which will not exceed: (i) a cash equivalent to 8% of the Concurrent Financing and (ii) such number of common shares purchase warrants equivalent to 8% of the number of Units issued pursuant to the Concurrent Financing.

The Transaction is subject to a number of conditions precedent. Unless all of such conditions are satisfied or waived by the party for whose benefit such conditions exist, to the extent they may be capable of waiver, the Transaction will not proceed. The conditions are:

- board of directors' approval and shareholders' approval of the Transaction and other matters contemplated in the LOI to be obtained by the Company;
- approval of the Transaction and other matters contemplated by the LOI by the manager of Tower Three and the investment committee of the majority member of Tower Three, the approval of Tower Three's board of directors;
- completion of due diligence to the satisfaction of the parties, acting reasonably;
- all necessary regulatory approvals with respect to the Transaction and the Concurrent Financing having been obtained, including but not limited to the approval of the CSE and the other applicable securities regulatory authorities;
- the execution of the definitive agreement;
- completion of the Concurrent Financing; and
- cancellation of Tower Three's then outstanding options, share purchase warrants and any other securities exercisable or convertible into membership interests of Tower Three and/or any other security of Tower Three, if any.

Pacific Therapeutics Ltd.

Notes to Amended Condensed Interim Consolidated Financial Statements

For the period ended June 30, 2016 and 2015

(Expressed in Canadian Dollars - Unaudited)

After signing the definitive agreement, if Tower Three provides the Company its year end audited financial statements audited in accordance with Intentional Financial Reporting Standards and the parties determine and mutually agree to a tax efficient transaction structure, Tower Three may request in writing that the Company loan up to \$200,000 on a secured basis. The loan will bear interest at a rate of 10% per annum and the Company will be able to request repayment at any time after 180 days following the advance.