

**ALGERNON PHARMACEUTICALS INC.**  
**SHORT FORM PROSPECTUS OFFERING OF UNITS**  
**TERM SHEET**

*The following is a summary of the basic terms and conditions of a proposed offering of units by Algernon Pharmaceuticals Inc. A preliminary short form prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in British Columbia, Alberta, Ontario and Saskatchewan. A copy of the preliminary short form prospectus, and any amendment, is required to be delivered to any investor that received this document and expressed an interest in acquiring the securities.*

*The preliminary short-form prospectus is still subject to completion. There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued.*

*This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, the final short form prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.*

- Issuer:** Algernon Pharmaceuticals Inc. ("**Algernon**" or, the "**Company**").
- Offering:** Best-efforts, short form prospectus offering (the "**Offering**") of units (the "**Units**") of the Company.
- Amount:** A minimum of \$2,500,000 and up to a maximum of \$5,000,000.
- Pricing:** \$0.11 per Unit (the "**Offering Price**").
- Unit:** Each Unit is comprised of one common share in the capital of the Company (a "**Unit Share**") and one common share purchase warrant (a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one common share in the capital of the Company (each, a "**Warrant Share**") at the price of \$0.13 per Warrant Share for a period of 30 months after Closing (as defined herein) (the "**Expiry Date**"), subject to acceleration of the Expiry Date as described below.
- If, at any time prior to the Expiry Date, the volume weighted average trading price of the common shares of the Company (the "**Common Shares**") on the Canadian Securities Exchange (the "**Exchange**"), or other principal exchange on which the Common Shares are listed, is greater than \$0.39 for 20 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the holders of Warrants accelerating the Expiry Date to the date that is 30 days following the date of such notice (the "**Accelerated Exercise Period**"). Concurrent with the giving of such notice, the Company will also issue a press release disclosing the Accelerated Exercise Period. Any unexercised Warrants shall automatically expire at the end of the Accelerated Exercise Period.
- Over-Allotment Option:** The Agent shall also have the option (the "**Over-Allotment Option**") to purchase up to an additional 15% of the Units sold pursuant to the Offering on the same terms of the Offering at any time up to 30 days following Closing of the maximum Offering, solely for market stabilization purposes and to cover over-allotments, if any. The Agent can elect to exercise the Over-Allotment Option for Units only, Unit Shares only or Warrants only, or a combination thereof.
- Offering Basis:** The Units are to be issued on a "commercially reasonable best efforts" basis by way of short form prospectus to be filed in British Columbia, Alberta, Ontario and Saskatchewan. The Units may be offered on a private placement basis pursuant to an exemption from the registration requirement of the United States Securities Act of 1933, as amended, and applicable state securities laws. The Units may also be offered in such other jurisdictions as the Company and the Agent may agree, acting reasonably in accordance with applicable securities laws.
- Listing:** The Company will use commercial reasonable efforts to obtain the necessary approvals to list the Unit Shares, Warrants and Warrant Shares issuable on the exercise of Warrants on the Canadian Securities Exchange on the Closing Date.
- Eligibility:** The Units shall be eligible for RRSPs, RRIFs, RDSPs, RESPs, TFSAs and DPSPs.

**Use of Proceeds:** The net proceeds raised under the Offering will be used to fund both the Phase 2 NP-135 IBD and NP-135 NASH Trials, pre-clinical research programs and working capital and general corporate purposes.

**Commission:** 7.0% cash commission and 7.0% compensation options, with each compensation option exercisable into Units for a period of 30 months after Closing at the Offering Price.

**Agent:** Mackie Research Capital Corporation (the "**Agent**").

**Closing:** On or about September 30, 2019 (the "**Closing Date**").