

Form 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Algernon Pharmaceuticals Inc. (the “Company”)
Suite 915 – 700 West Pender Street
Vancouver, BC Canada V6C 1G8

Item 2. Date of Material Change

September 6, 2019

Item 3. News Release

The news release with respect to the material change referred to in this report was issued by the Company on September 6, 2019 and distributed through the facilities of Stockwatch. The news release was filed on SEDAR and is available at www.sedar.com.

Item 4. Summary of Material Change

The Company announced the pricing of its marketed public offering, which was previously announced in a press release dated July 4, 2019. The Company will offer a minimum of 22,727,272 units of the Company (each a “Unit”) and a maximum of 45,454,545 Units at the price of \$0.11 per Unit for minimum gross proceeds of approximately \$2,500,000 and maximum gross proceeds of approximately \$5,000,000.

Item 5.1. Full Description of Material Change

On September 6, 2019, the Company announced the pricing of its marketed public offering of Units, which was previously announced in a press release dated July 4, 2019. The Company will offer a minimum of 22,727,272 Units and a maximum of 45,454,545 Units at the price of \$0.11 per Unit for minimum gross proceeds of approximately \$2,500,000 and maximum gross proceeds of approximately \$5,000,000 (the “Offering”).

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 (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.

The Offering is being led by Mackie Research Capital Corporation as the sole agent and sole bookrunner (the “**Agent**”),

The Offering is being undertaken on a commercially reasonable “best efforts” agency basis in the provinces of British Columbia, Alberta, Saskatchewan and Ontario (the “**Selling Provinces**”). The Company has filed a preliminary short form prospectus dated July 2, 2019 and intends to file a final short form prospectus with securities regulators in the Selling Provinces (collectively, the “**Prospectus**”). The Units may also be offered on a private placement basis pursuant to an exemption from the registration requirements of the *United States Securities Act of 1933*, as amended (the “**U.S. Securities Act**”) and applicable state securities laws, as well as other jurisdictions outside of Canada and the United States as the Company and Agent may agree, on an exempt basis in accordance with applicable securities laws.

The Company has granted the Agent an over-allotment option, exercisable in whole or in part, at the Agent’s sole discretion, at any time and from time to time for a period of 30 days from and including the date of closing of the maximum Offering, to offer and sell on the same terms as the Offering, such number of additional Units, Unit Shares, Warrants or any combination thereof, as is equal to up to 15% of the number of Units issued under the maximum Offering to cover over-allotments and for market stabilization purposes.

The net proceeds raised under the Offering will be used to fund up to three Phase II clinical trials, which will include the disease areas of non-alcoholic steatohepatitis (NASH), chronic kidney disease (CKD), or inflammatory bowel disease (IBD). The remaining funds will be used for working capital and general corporate purposes.

In consideration for the services to be rendered by the Agent in connection with the Offering, the Agent will receive a cash fee and compensation options as further detailed in the Prospectus.

The Offering is subject to certain conditions, including, without limitation, receipt of all regulatory approvals, including the approval of the Exchange. The Company will use commercially reasonable efforts to obtain the necessary approvals to list the Unit Shares, Warrants and Warrant Shares on the Exchange.

The closing under the Offering is expected to occur on or about September 30, 2019, or such other date as the Agent and Company may agree, and is subject to receipt of all necessary regulatory approvals including the approval of the Exchange.

Item 5.2. Disclosure for Restructuring Transactions

Not applicable.

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

None.

Item 8. Executive Officers

The following senior officer of the Company is knowledgeable about the material change and this material change report and may be contacted:

Mike Sadhra, Chief Financial Officer
Telephone: 604-646-1553

Item 9. Date of Report

September 9, 2019.