

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

May 13, 2020

Item 3. News Release

The news release with respect to the material change referred to in this report was issued by the Company on May 13, 2020 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 that it has closed its previously announced special warrant private placement offering for gross proceeds of \$6,861,849 (the “**Offering**”).

Item 5.1. Full Description of Material Change

The Company announced that it has closed the Offering pursuant to which the Company issued 19,605,285 special warrants of the Company (each, a “**Special Warrant**”) at a price of \$0.35 per Special Warrant for gross proceeds of \$6,861,849. Each Special Warrant is exercisable, for no additional consideration at the option of the holder, into one unit of the Company (each, a “**Unit**”), with each Unit consisting of one Class A common share (a “**Common Share**”) of the Company and one Common Share purchase warrant (a “**Warrant**”). Each Warrant will entitle the holder thereof to acquire one Common Share (each, a “**Warrant Share**”) at an exercise price of \$0.55 per Warrant Share for a period of 24 months after the Closing Date (the “**Expiry Date**”).

If, at any time after the Qualification Date and prior to the Expiry Date, the volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (the “**Exchange**”), or other principal exchange on which the Common Shares are listed, is greater than \$1.00 for 10 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 will automatically expire at the end of the Accelerated Exercise Period.

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

All unexercised Special Warrants will be automatically exercised on the date (the “**Qualification Date**”) that is the earlier of: (i) four months and a day following May 13, 2020 (the “**Closing Date**”); and (ii) three business days following the date on which receipt is issued by the British Columbia Securities Commission for a final short form prospectus (the “**Qualifying Prospectus**”) qualifying the distribution of the Units underlying the Special Warrants and the Compensation Units (as defined herein).

The Company will use its commercially reasonable efforts to prepare and file, with each of the securities regulatory authorities in each of the provinces of Canada (other than Quebec) in which the Special Warrants are sold, and obtain a receipt for the Qualifying Prospectus, in compliance with applicable securities law, on or before the date that is 35 days from the Closing Date (the “**Qualification Deadline**”). In the event the Qualification Date has not occurred prior to 5:00 p.m. (Vancouver time) on the Qualification Deadline, each unexercised Special Warrant will thereafter entitle holders thereof to receive upon the exercise or deemed exercise thereof, for no additional consideration, 1.10 Units in lieu of one (1) Unit and thereafter at the end of each additional 30 day period prior to the Qualification Date, each Special Warrant will be exercisable for an additional 0.02 of a Unit.

In connection with the Offering, the Company granted to the Agent, an aggregate of 1,505,293 non-transferable compensation options (the “**Compensation Options**”), entitling the holder to acquire one unit (the “**Compensation Units**”) at an exercise price of \$0.35 per Compensation Unit until May 13, 2022. Each Compensation Unit is comprised of one Class A common share of the Company and one Class A common share purchase warrant of the Company (a “**Compensation Option Warrant**”). Each Compensation Option Warrant is exercisable into one Class A common share of the Company (a “**Compensation Option Warrant Share**”) at the exercise price of \$0.55 per Compensation Option Warrant Share for a period of 24 months from the date hereof. If the Qualification Date does not occur on or before the Qualification Deadline, each Compensation Option that has not been exercised shall be exercisable to acquire one-and-one tenth (1.10) Compensation Units, and an additional 0.02 of a Compensation Unit for each additional 30 days thereafter prior to the Qualification Date.

The net proceeds raised under the Offering will be used for ongoing research, clinical trials, working capital and general corporate purposes.

The Units have not and will not be registered under the U.S. Securities Act or any U.S. state securities laws, and therefore were not offered or sold within the United States except pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws.

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:

Christopher J. Moreau, Chief Executive Officer
604.398.4175 ext 701

Item 9. Date of Report

May 22, 2020.