

## **ALGERNON PHARMACEUTICALS INC.**

Suite 915, 700 West Pender Street  
Vancouver, BC V6C 1G8  
Phone: 604-646-1553

### **National Instrument 51-102F6V STATEMENT OF EXECUTIVE COMPENSATION as at August 31, 2020**

This Statement of Executive Compensation (the "Statement") should be read in conjunction with the Annual Financial Statements of Algernon Pharmaceuticals Inc. (the "Company") for the Company's financial year ended August 31, 2020 which available on SEDAR at [www.sedar.com](http://www.sedar.com).

In this Statement, references to "the Company", "Algernon Pharmaceuticals", "we" and "our" refer to Algernon Pharmaceuticals Inc. "Common Shares" mean common shares without par value in the capital of the Company.

All monetary amounts herein are expressed in Canadian Dollars ("\$") unless otherwise stated.

In this Statement:

"**CEO**" of the Company means each individual who acted as chief executive officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

"**CFO**" of the Company means each individual who acted as chief financial officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

"**compensation securities**" includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Company or one of its subsidiaries (if any) for services provided or to be provided, directly or indirectly to the Company or any of its subsidiaries (if any); and

"**Named Executive Officer**" or "**NEO**" means each of the following individuals:

- (a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;
- (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;
- (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000 for the financial year, and

- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year.

### Director and Named Executive Officer Compensation

As at the year ended August 31, 2020, the Company had three NEOs, namely Christopher Moreau, the Chief Executive Officer and a director, Mark Williams, the Chief Science Officer and Michael Sadhra, the Chief Financial Officer and a director. The Company had two independent directors: Raj Attariwala and David Levine.

### Director and NEO Compensation Excluding Options and Compensation Securities

The following table presents information concerning all compensation paid, payable, given, or otherwise provided, directly or indirectly, to NEOs and Directors by the Company for services in all capacities to the Company during the two most recently completed financial years:

Name and Principal Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	Value of all other compensation (\$)	Total Compensation (\$)
Christopher Moreau <sup>(1)</sup> CEO and Director	2020	157,000	100,000	Nil	Nil	Nil	257,000
	2019	108,000	Nil	Nil	Nil	Nil	108,000
Mark Williams <sup>(2)</sup> Chief Science Officer	2020	166,663	100,000	Nil	Nil	Nil	266,663
	2019	138,491	Nil	Nil	Nil	Nil	138,491
Michael Sadhra CFO and Director	2020	60,000	20,000	Nil	Nil	Nil	80,000
	2019	48,000	Nil	Nil	Nil	Nil	48,000
Raj Attariwala Director	2020	4,000	Nil	Nil	Nil	Nil	4,000
	2019	Nil	Nil	Nil	Nil	Nil	Nil
David Levine Director	2020	4,000	Nil	Nil	Nil	Nil	4,000
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Alfred Wong <sup>(3)</sup> Former VP Corporate Development	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	40,500	Nil	Nil	Nil	Nil	40,500

(1) Mr. Moreau was appointed as CEO on March 1, 2018 and as a director on May 5, 2020;

(2) Mr. Williams was appointed Chief Science Officer on October 19, 2018;

(3) Mr. Wong resigned as the VP Corporate Development of the Company on August 27, 2019.

Other than as set forth above, no NEO or Director of the Company has, during the most recently completed financial year, received compensation pursuant to:

- (a) any standard arrangement for the compensation of NEOs or Directors for their services in their capacity as NEOs and/or Directors, including any additional amounts payable for committee participation or special assignments;

- (b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of NEOs in their capacity as NEOs; or
- (c) any arrangement for the compensation of NEOs of Directors for services as consultants or expert.

### **Compensation Securities**

The following table sets forth information in respect of all compensation securities granted or issued to each NEO and Director of the Company in the most recently completed financial year ended August 31, 2020:

<b>Name and Position</b>	<b>Type of Compensation Security</b>	<b>Number of compensation securities, number of underlying securities and percentage of class # / % <sup>(1)</sup></b>	<b>Date of issue or grant (mm/dd/yyyy)</b>	<b>Issue, conversion or exercise price (\$)</b>	<b>Closing price of security or underlying security on date of grant (\$)</b>	<b>Closing price of security or underlying security at year end (\$)</b>	<b>Expiry date</b>
Christopher Moreau CEO and Director	Stock options	500,000 1,250,000  1,750,000 underlying common shares/1.27%	02/13/2020 04/13/2020	\$0.10 \$0.29	\$0.085 \$0.29	\$0.33	02/13/2025 04/13/2025
	Restricted Share Units	1,250,000  1,250,000 underlying common shares/0.90%	07/23/2020	\$0.35	\$0.33	\$0.33	07/22/2022
Mark Williams Chief Science Officer	Stock options	500,000 1,250,000  1,750,000 underlying common shares/1.27%	02/13/2020 04/13/2020	\$0.10 \$0.29	\$0.085 \$0.29	\$0.33	02/13/2025 04/13/2025
	Restricted Share Units	1,000,000  1,000,000 underlying common shares/0.72%	07/23/2020	\$0.35	\$0.33	\$0.33	07/22/2022

Name and Position	Type of Compensation Security	Number of compensation securities, number of underlying securities and percentage of class # / % <sup>(1)</sup>	Date of issue or grant (mm/dd/yyyy)	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Michael Sadhra CFO and Director	Stock options	1,000,000 1,000,000	02/13/2020 04/13/2020	\$0.10 \$0.29	\$0.085 \$0.29	\$0.33	02/13/2025 04/13/2025
		2,000,000 underlying common shares/1.45%					
	Restricted Share Units	1,000,000  1,000,000 underlying common shares/0.72%	07/23/2020	\$0.35	\$0.33	\$0.33	07/22/2022
Raj Attariwala Director	Stock options	200,000 200,000	02/13/2020 04/13/2020	\$0.10 \$0.29	\$0.085 \$0.29	\$0.33	02/13/2025 04/13/2025
		400,000 underlying common shares/0.29%					
	Restricted Share Units	250,000  250,000 underlying common shares/0.18%	07/23/2020	\$0.35	\$0.33	\$0.33	07/22/2022
David Levine Director	Stock options	200,000 200,000	02/13/2020 04/13/2020	\$0.10 \$0.29	\$0.085 \$0.29	\$0.33	02/13/2025 04/13/2025
		400,000 underlying common shares/0.29%					
	Restricted Share Units	250,000  250,000 underlying common shares/0.18%	07/23/2020	\$0.35	\$0.33	\$0.33	07/22/2022

(1) The percentage of class is based on the total number of options and common shares outstanding as at August 31, 2020: 138,337,979 common shares, 10,737,500 stock options and 4,350,000 Restricted Share Units (“RSUs”).

As of August 31, 2020, the NEOs and Directors of the Company had the following compensation securities:

Mr. Moreau had a total of 2,000,000 stock options and 837,500 RSUs:

- 250,000 stock options were issued on March 1, 2018, each exercisable into one common share of the Company at a price of \$0.48 per share until March 1, 2023;
- 500,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$0.10 per share until February 13, 2025;
- 1,250,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$0.29 per share until April 13, 2025;
- 1,250,000 RSUs were issued on July 23, 2020, each RSU convertible into one common share of the Company. The RSUs vest over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 412,500 RSUs vested on July 23, 2020.

Dr. Williams had a total of 1,750,000 stock options and 670,000 RSUs:

- 500,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$0.10 per share until February 13, 2025;
- 1,250,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$0.29 per share until April 13, 2025;
- 1,000,000 RSUs were issued on July 23, 2020, each RSU convertible into one common share of the Company. The RSUs vest over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 330,000 RSUs vested on July 23, 2020.

Mr. Sadhra had a total of 2,400,000 stock options and 670,000 RSUs:

- 200,000 stock options were issued on February 1, 2016 each exercisable into one common share of the Company at a price of 0.50 per share until February 1, 2021;
- 50,000 stock options were issued on May 18, 2017 each exercisable into one common share of the Company at a price of \$0.30 per share until May 18, 2022;
- 150,000 stock options were issued on March 1, 2018 exercisable into one common share of the Company at a price of \$0.48 per share until March 1, 2023;
- 1,000,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$0.10 per share until February 13, 2025;
- 1,000,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$0.29 per share until April 13, 2025;
- 1,000,000 RSUs were issued on July 23, 2020, each RSU convertible into one common share of the Company. The RSUs vest over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 330,000 RSUs vested on July 23, 2020.

Mr. Attariwala had a total of 625,000 stock options and 167,500 RSUs:

- 125,000 stock options were issued on February 1, 2016 each exercisable into one

common share of the Company at a price of 0.50 per share until February 1, 2021;

- 50,000 stock options were issued on May 18, 2017 each exercisable into one common share of the Company at a price of \$0.30 per share until May 18, 2022;
- 50,000 stock options were issued on March 1, 2018 exercisable into one common share of the Company at a price of \$0.48 per share until March 1, 2023;
- 200,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$0.10 per share until February 13, 2025;
- 200,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$0.29 per share until April 13, 2025;
- 250,000 RSUs were issued on July 23, 2020, each RSU convertible into one common share of the Company. The RSUs vest over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 82,500 RSUs vested on July 23, 2020.

Mr. Levine had a total of 700,000 stock options and 167,500 RSUs:

- 200,000 stock options were issued on February 1, 2016 each exercisable into one common share of the Company at a price of 0.50 per share until February 1, 2021;
- 50,000 stock options were issued on May 18, 2017 each exercisable into one common share of the Company at a price of \$0.30 per share until May 18, 2022;
- 50,000 stock options were issued on March 1, 2018 exercisable into one common share of the Company at a price of \$0.48 per share until March 1, 2023.
- 200,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$0.10 per share until February 13, 2025;
- 200,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$0.29 per share until April 13, 2025;
- 250,000 RSUs were issued on July 23, 2020, each RSU convertible into one common share of the Company. The RSUs vest over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 82,500 RSUs vested on July 23, 2020.

***Exercise of Compensation Securities by Directors and NEOs:***

The following table sets out compensation securities that were exercised by Directors and NEOs during the financial year ended August 31, 2020:

Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference Between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Christopher Moreau CEO and Director	RSUs	412,500	\$0.35	07/23/20	\$0.33	N/A	\$144,375
Mark Williams Chief Science Officer	RSUs	330,000	\$0.35	07/23/20	\$0.33	N/A	\$115,500

Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference Between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Michael Sadhra CFO and Director	RSUs	330,000	\$0.35	07/23/20	\$0.33	N/A	\$115,500
Raj Attariwala Director	RSUs	82,500	\$0.35	07/23/20	\$0.33	N/A	\$28,875
David Levine Director	RSUs	82,500	\$0.35	07/23/20	\$0.33	N/A	\$28,875

### ***Stock Option Plan***

The Company adopted a Stock Option Plan on September 11, 2015, which was adopted by shareholders on April 10, 2017 (the "Stock Option Plan").

The purpose of the Stock Option Plan is to attract, retain, and motivate NEOs, directors, employees and other service providers by providing them with the opportunity, through the grant of Stock Options, to acquire an interest in the Company and benefit from the Company's growth. A Stock Option is an incentive share purchase option that entitles the holder to purchase common shares of the Company.

Under the Stock Option Plan, the maximum number of common shares reserved for issuance, including Stock Options currently outstanding, is equal to 10% of the issued and outstanding common shares from time to time (the "10% Maximum"). Following the exercise, termination, cancellation or expiration of any Stock Options, a number of common shares equivalent to the number of Stock Options exercised, terminated, cancelled or expired would become available for reserve for issuance in respect of future Stock Option grants.

#### **Material Terms to the Stock Option Plan**

- (a) The number of common shares which may be the subject of Stock Options on a yearly basis to any one person cannot exceed 5% of the number of issued and outstanding common shares at the time of the grant;
- (b) Stock Options may be granted to any employee, officer, director, consultant, affiliate or subsidiary of the Company exercisable at a price which is not less than the market price of common shares on the date of the grant;
- (c) The directors of the Company may, by resolution, determine the time period during which any Stock Option may be exercised (the "Exercise Period"), provided that the Exercise Period does not contravene any rule or regulation of such exchange on which the common shares may be listed;

- (d) All Stock Options will terminate on the earliest to occur of:
  - (i) the expiry of their term;
  - (ii) the date of termination of an optionee's employment, office or position as director, if terminated for just cause;
  - (iii) 90 days (or such other period of time as permitted by any rule or regulation of such exchange on which the common shares may be listed) following the date of termination of an optionee's position as a director or NEO, if terminated for any reason other than the optionee's disability or death; and
  - (iv) 30 days following the date of termination of an optionee's position as a consultant engaged in investor relations activities, if terminated for any reason other than the optionee's disability, death, or just cause;
- (e) Stock Options are non-assignable and non-transferable and are subject to early termination in the event of the death of a participant or in the event a participant ceases to be a NEO, director, employee, consultant, affiliate, or subsidiary of the Company, as the case may be.

Subject to the foregoing restrictions, and certain other restrictions set out in the Stock Option Plan, the Board is authorized to provide for the granting of Stock Options and the exercise and method of exercise of Stock Options granted under the Stock Option Plan.

### ***Restricted Share Unit (RSU) Plan***

The Company adopted a 10% rolling RSU Plan on July 23, 2020. The RSU Plan allows the Company to grant RSUs to directors, officer, employees and consultants of the Company ("Eligible Persons").

A RSU is a bookkeeping entry equivalent in value to a Common Share credited to an Eligible Person's (a "Participant") account and represents the right of a Participant to whom a grant of such RSUs is made to receive one common share (or an amount of cash equal to the market value thereof).

The purpose of the RSU Plan is to promote and advance the interests of the Company by:

- (i) providing Eligible Persons with additional incentive through an opportunity to receive discretionary bonuses in the form of common shares of the Company,
- (ii) encouraging stock ownership by such Eligible Persons,
- (iii) increasing the proprietary interest of Eligible Persons in the success of the Company, and

- (iv) increasing the ability to attract, retain and motivate Eligible Persons.

Similar to the Stock Option Plan, the maximum number of common shares reserved for issuance under the RSU Plan shall not exceed 10% of the issued and outstanding Shares from time to time (the “10% Maximum”), less any common shares reserved for issuance under all other compensation agreements, such as the Stock Option Plan.

The RSU Plan is a “rolling plan” and when RSUs are cancelled (whether or not upon payment with respect to vested RSUs) or terminated, the number of common shares in respect of such cancelled or terminated RSUs shall again be available for the purpose of granting RSU Awards pursuant to the RSU Plan.

#### Material Terms to the RSU Plan

- (a) RSUs may be granted to any employee, officer, director, consultant or subsidiary of the Company provided that RSUs granted to any Eligible Person shall be approved by shareholders if the rules of the stock exchange the Company is listed on requires such approval;
- (b) Where the Board determines to grant a RSU Award to an Eligible Person and sets the terms and conditions applicable to such RSU Award, the Company shall deliver to the Eligible Person a RSU Grant Letter, containing the terms and conditions applicable to such RSU Award and will credit the Participant’s Account with the number of RSUs granted to such Participant under the terms of the RSU Award on the grant of an RSU Award;
- (c) The grant of a RSU Award shall entitle the Participant to the conditional right to receive for each RSU credited to the Participant’s Account, at the election of the Company, either one Common Share or an amount in cash, net of applicable taxes and contributions to government sponsored plans, as determined by the Board, equal to the Market Price of one Common Share for each RSU credited to the Participant’s Account on the Settlement Date, subject to the conditions set out in the RSU Grant Letter and in the Plan, and subject to all other terms of the RSU Plan;
- (d) An Eligible Person may receive an RSU Award on more than one occasion under the RSU Plan and may receive separate RSU Awards on any one occasion;
- (e) RSUs granted under the RSU Plan to an Eligible Person in a calendar year will (subject to any applicable terms and conditions) represent a right to a bonus or similar award to be received for services rendered by such Eligible Person to the Company or an Affiliate, as the case may be, in the fiscal year ending in, coincident with or before such calendar year, subject to any other determination by the Company;
- (f) Subject to the provisions of the RSU Plan and any vesting limitations imposed by the Board at the time of grant, RSUs subject to an RSU Award may be settled by a Participant during the Settlement Period applicable to the RSU by delivery to the Company of a notice (the

“Settlement Notice”) in a form attached to the RSU Grant Letter. As soon as practicable following the receipt of the Settlement Notice, RSUs will be settled by the Company through the delivery by the Company of such number of common shares equal to the number of RSUs then being settled or, at a Company’s election, an amount in cash, net of applicable taxes and contributions to government sponsored plans, equal to the market price at the Settlement Date of one Common Share for each RSU then being settled. Where, prior to the Expiry Date, a Participant fails to elect to settle an RSU, the Participant shall be deemed to have elected to settle such RSUs on the day immediately preceding the Expiry Date.

- (g) Notwithstanding the foregoing, if the Company elects to issue common shares in settlement of RSUs:
  - (i) the Company may arrange for such number of the common shares to be sold as it deems necessary or advisable to raise an amount at least equal to its determination of such applicable taxes, with such amount being withheld by the Company; or
  - (ii) the Company may elect to settle for cash such number of RSUs as it deems necessary or advisable to raise funds sufficient to cover such withholding taxes with such amount being withheld by the Company; or
  - (iii) the Company may, as a condition of settlement in the form of common shares, require the Participant to pay the applicable taxes as determined by the Company or make such other arrangement acceptable to the Company in its discretion (if at all) as it deems necessary or advisable.
- (h) Except as otherwise determined by the Board:
  - (i) The “Termination Date” means the date on which a Participant ceases to be an Eligible Person;
  - (ii) all RSUs held by the Participant (whether vested or unvested) shall terminate automatically upon the termination of the Participant’s service with the Company or any subsidiary companies for any reason other than as set forth in paragraph (b) and (c) below;
  - (iii) in the case of a termination of the Participant’s service by reason of (A) termination by the Company or any Subsidiary Companies other than for Cause, or (B) the Participant’s death, the Participant’s unvested RSUs shall vest automatically as of such date, and on the earlier of the original Expiry Date and any time during the ninety (90) day period commencing on the date of such termination of service (or, if earlier, the Termination Date), the Participant (or his or her executor or administrator, or the person or persons to whom the Participant’s RSUs are transferred by will or the applicable laws of descent and distribution) will be eligible to request that the Company settle his vested RSUs.

Where, prior to the 90th day following such termination of service (or, if earlier, the Termination Date) the Participant fails to elect to settle a vested RSU, the Participant shall be deemed to have elected to settle such RSU on such 90th day (or, if earlier, the Termination Date) and to receive common shares in respect thereof;

- (iv) in the case of a termination of the Participant's services by reason of voluntary resignation, only the Participant's unvested RSUs shall terminate automatically as of such date, and any time during the ninety (90) day period commencing on the date of such termination of service (or, if earlier, the Termination Date), the Participant will be eligible to request that the Company settle its vested RSUs. If the Participant fails to elect to settle a vested RSU, the Participant shall be deemed to have elected to settle such RSU on the 90th day and will receive common shares in respect thereof;
  - (v) for greater certainty, where a Participant's employment or term of office terminates by reason of termination by the Company or any subsidiary companies for cause then any RSUs held by the Participant, whether or not vested at the Termination Date, immediately terminate and are cancelled on the Termination Date or at a time as may be determined by the Board, in its sole discretion;
  - (vi) a Participant's eligibility to receive further grants of RSUs under the RSU Plan ceases as of the earliest of the date the Participant resigns from the Company or any subsidiary company and the date that the Company or any subsidiary company provides the Participant with written notification that the Participant's employment or term of office, as the case may be, is terminated, notwithstanding that such date may be prior to the Termination Date; and
  - (vii) for the purposes of the RSU Plan, a Participant shall not be deemed to have terminated service where: (i) the Participant remains in employment or office within or among the Company or any subsidiary company or (ii) the Participant is on a leave of absence approved by the Board.
- (i) RSUs shall not be transferable or assignable by the Participant otherwise than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of a Participant only by the Participant and after death only by the Participant's legal representative.

Subject to the foregoing restrictions, and certain other restrictions set out in the RSU Plan, the Board is authorized to provide for the granting of RSUs, the vesting limitations on the RSUs and the method in which the RSUs are settled.

### ***Employment, Consulting and Management Agreements***

Management functions of the Company are substantially performed by directors or senior officers (or private companies controlled by them, either directly or indirectly) of the Company

and not, to any substantial degree, by any other person with whom the Company has contracted.

The Company entered into a Management Consulting Agreement dated March 1, 2018 with Christopher Moreau (the “Moreau Agreement”) whereby he was retained to act as the Company’s CEO. The Moreau Agreement provided for the remuneration of Mr. Moreau at the rate of CAD\$9,000 per month (the “Moreau Base Fee”). The Moreau Base Fee was increased to CAD\$13,333 per month effective on December 1, 2019. The Moreau Agreement was amended and restated on July 31, 2020 (“Moreau Amended and Restated Agreement”) whereby the Moreau Base Fee was further amended to CAD\$18,333 per month effective on July 31, 2020. Mr. Moreau is not paid for being a director of the Company.

The Company’s affiliate, Nash Pharmaceuticals Inc. (“Nash Pharma”) entered into a Management Consulting Agreement dated July 1, 2018 with Dr. Mark Williams (the “Williams Agreement”) whereby he was retained to act as the CEO of Nash Pharma. The Williams Agreement provided for the remuneration of Dr. Williams at the rate of CAD\$13,333 per month (the “Williams Base Fee”). After the acquisition of Nash Pharma by the Company, the Williams Agreement was amended on October 19, 2018 (“Williams Amended Agreement”) whereby Dr. Williams was appointed to the position of Chief Science Officer of Nash Pharma. The Williams Base Fee remained unchanged. The Williams Amended Agreement was further amended and restated on July 31, 2020 (“Williams Amended and Restated Agreement”) whereby the Williams Base Fee was amended to CAD\$16,666 per month effective on July 31, 2020.

Under prior agreement with the Company, Michael Sadhra has acted as the Company’s CFO at a rate of CAD\$4,000 per month (the “Sadhra Base Fee”). The Company amended and restated any prior agreement it had with Mr. Sadhra on July 31, 2020 (“Sadhra Amended and Restated Agreement”) whereby the Sadhra Base Fee was amended to CAD\$10,000 per month effective on July 31, 2020. Mr. Sadhra is not paid for being a director of the Company.

#### *Oversight and Description of Director and NEO Compensation*

The Company does not have a compensation committee or a formal compensation policy and relies solely on the Board of Directors (the “Board”) to determine NEO compensation. In determining compensation, the Board considers industry standards and its financial situation but does not currently have any formal objectives or criteria. The performance of each NEO is informally monitored by the Board, who keeps in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer. The duties and responsibilities of the NEOs are typical of those of a business entity of the Company’s size in a similar business and include direct reporting responsibility to the Board, overseeing the activities of all other executive and management consultants, representing the Company, providing leadership and responsibility for achieving corporate goals and implementing corporate policies and initiatives.

The Board is also responsible for recommending compensation for the directors and granting stock options to the directors, NEOs and employees of, and consultants to, the Company pursuant to the Company’s Stock Option Plan (defined below).

## Philosophy and Objectives

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- attracting and retaining talented, qualified and effective executives;
- motivating the short and long-term performance of these executives; and
- better aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company has employed a combination of base salary and equity participation through its stock option plan.

The Company relies solely on the discussions of the Board, without any formal objectives, criteria and analysis, for determining executive compensation.

## Base Salary or Consulting Fees

In establishing the base salary for NEOs, the Board considers the NEO's performance, level of expertise, responsibilities, length of service to the Company and comparable levels of remuneration paid to executives of other companies of comparable size and development. The financial and other resources of the Company are also considered since capital management is critical to the Company as a successful generator of business using Shareholders' funds. Using this information, together with budgetary guidelines the Board determines and sets the base salaries of the CEO, CFO and other NEOs.

## Bonus Incentive Compensation

The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Company meeting those strategic objectives and milestones and sufficient cash resources being available for granting of bonuses. The Board approves executive bonus compensation dependent upon compensation levels based on recommendations of the CEO. Such recommendations are generally based on information provided by issuers that are similar in size and scope to the Company's operations.

## Equity Participation

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's stock option plan. Stock options are granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. The amounts and terms of options granted are determined by the Board. The Board continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

Given the evolving nature of the Company's business, the Board continues to review and redesign

the overall compensation plan for senior management so as to continue to address the objectives identified above.

### Compensation Review Process

Compensation Components: Compensation paid to the Company's NEOs consists of a base salary in the form of cash compensation, and long-term incentive stock options. No specific formula is used to assign a specific weighting to these components. Instead, the Board considers the Company's performance and assigns compensation based on this assessment.

In establishing compensation levels, the Board also relies on the experience of its members as officers and directors of other companies in similar lines of business as the Company. The purpose of this comparison to similar companies is to: (1) understand the competitiveness of current pay levels for each executive position relative to companies with similar business characteristics; (2) identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and (3) establish a basis for developing salary adjustments and long-term incentive awards for the Board to consider and approve.

### Long Term Compensation

Long term compensation is paid in the form of granting of stock options. The Board established the Stock Option Plan to encourage share ownership and entrepreneurship on the part of the directors, management and employees. The Board believes that the Stock Option Plan aligns the interests of the NEOs with the interests of Shareholders by linking a component of compensation to the longer-term performance of the Company's common shares.

Stock Options are generally granted on an annual basis, subject to the imposition of trading black-out periods, in which case options scheduled for grant will be granted subsequent to the end of the black-out period. All stock options granted to NEOs are approved by the Board. In monitoring stock option grants, the Board takes into account the level of stock options granted by comparable companies for similar levels of responsibility and considers each NEO based on reports received from management, its own observations on individual performance (where possible) and its assessment of individual contributions to Shareholder value.

In addition to determining the number of stock options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- the exercise price for each stock option granted;
- the date on which each stock option is granted;
- the vesting terms for each stock stock option; and
- the other materials terms and conditions of each stock option grant.

The Board makes these determinations subject to and in accordance with the provision of the Sstock Option Plan.

### Risks Associated with the Company's Compensation Program

Neither the Board nor any committee of the Board considered the implications of the risks associated with the Company's compensation program during the most recently completed financial year. All of the Company's option-based awards for the benefit of executive officers were fully discretionary.

### Hedging by Named Executive Officers or Directors

The Company has no policy with respect to NEOs or directors purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

### Benefits and Perquisites

The Company does not offer any benefits or perquisites to its directors or NEOs other than potential grants of incentive stock options as otherwise disclosed and discussed herein.

### Option-Based Awards

As described above, the Company has a 10% "rolling" Stock Option Plan. The Stock Option Plan was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Management proposes stock option grants to the Board based on such criteria as performance, previous grants, and hiring incentives. All grants require approval of the Board.

The purpose of the Company's Option Plan is to provide the Company with a share related mechanism to enable the Company to attract, retain and motivate qualified directors, officers, employees and other service providers, to reward directors, officers, employees and other service providers for their contribution toward the long-term goals of the Company and to enable and encourage such individuals to acquire common shares of the Company as long-term investments.

### Share-Based Awards

As described above, the Company has a 10% "rolling" RSU Plan. The RSU Plan was established to promote and advance the interests of the Company by providing eligible persons with additional incentive through an opportunity to receive discretionary bonuses in the form of common shares of the Company, encourage stock ownership by such eligible persons, increase the proprietary interest of eligible persons in the success of the Company, and increase the ability to attract, retain and motivate eligible persons.

Management proposes RSU Awards to the Board based on such criteria as performance, previous grants, and hiring incentives. All RSU Awards require approval of the Board.

## Oversight and Description of Director Compensation

In the Board's view, there is, and has been, no need for the Company to design or implement a formal compensation program for directors. While the Board considers Option grants to directors under the Option Plan from time to time, the Board does not employ a prescribed methodology when determining the grant or allocation of Options. Other than the Option Plan, as discussed above, the Company does not offer any long-term incentive plans, share compensation plans or any other such benefit programs for directors.

### ***Pension Plan Benefits***

The Company does not have a pension plan that provides for payments or benefits to the NEOs or Directors at, following, or in connection with retirement.

### ***Termination and Change of Control Benefits***

There are no compensatory plan(s) or arrangements(s), with respect to any of the NEOs resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of the NEOs responsibilities following a change of control.

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets out, as of the end of the Company's fiscal year ended August 31, 2020, all required information with respect to compensation plans under which equity securities of the Company are authorized for issuance:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by securityholders	10,737,500	\$0.24	181,797 <sup>(1)</sup>
Equity compensation plans not approved by securityholders	2,914,500	n/a	181,797 <sup>(1)</sup>
<b>Total</b>	<b>13,652,000</b>		<b>181,797 <sup>(1)</sup></b>

- (1) The Company had a total of 138,337,979 common shares issued and outstanding as at August 31, 2020. The maximum number of common shares reserved for issuance under the Stock Option Plan and RSU Plan collectively shall not exceed 10% of the issued and outstanding common shares from time to time.