

ALGERNON PHARMACEUTICALS INC.
MARKETED PUBLIC OFFERING OF UNITS
TERM SHEET

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

A final base shelf prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in each of the provinces of Canada. A copy of the final base shelf prospectus, any amendment to the final base shelf prospectus and any applicable shelf prospectus supplement that has been or will be filed, is required to be delivered with this document, and copies may be obtained from Research Capital Corporation (ecm@researchcapital.com) and are also available electronically at www.sedar.com.

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

The securities offered under the final base shelf prospectus and prospectus supplement have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) (the "United States"), and may not be offered or sold within the United States, or to, or for the account or benefit of a U.S. Person (as defined in Rule 902(k) of Regulation S under the U.S. Securities Act) or a person in the United States, except in transactions exempt from registration under the U.S. Securities Act and applicable U.S. state securities laws. This term sheet does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

- Issuer:** Algernon Pharmaceuticals Inc. ("**Algernon**" or the "**Company**").
- Offering:** Best-efforts, marketed public offering in each of the Provinces of Canada (other than Quebec) (the "**Offering**") of units of the Company (the "**Units**" or the "**Offered Securities**").
- Gross Proceeds:** Up to C\$2,000,000.
- Offering Price:** C\$3.75 per Unit (the "**Unit Offering Price**").
- Unit:** Each Unit will consist of one Class A common share of the Company (a "**Common Share**") and one Common Share purchase warrant of the Company (a "**Warrant**").
- Warrant:** Each Warrant entitles the holder thereof to purchase one Common Share (a "**Warrant Share**") at an exercise price of C\$4.70 (the "**Warrant Exercise Price**") for a period of 5 years following the date of issuance.
- Anti-Dilution Protection:** The Company will use its commercially reasonable efforts to obtain CSE (as defined below) approval to permit the following anti-dilution protection feature of the Warrants, however there is no assurance that the Company will obtain such CSE approval or that the Warrants will contain the following anti-dilution protection feature:
- In the event of a down-round financing during the period of 5 years following closing of the Offering (a "**Dilutive Issuance**"), the Warrants contain an anti-dilution protection feature, to adjust the Warrant Exercise Price and increase the number of Warrant Shares issuable thereunder if Common Shares are sold or issued for a consideration per share less than the Warrant Exercise Price (subject to certain exemptions), provided, that the exercise price will not be less than 50% of the Unit Offering Price (the "**Floor Price**").
- Accelerator Provision:** Provided that if, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the Common Shares on the Canadian Securities Exchange ("**CSE**"), or other principal exchange on which the Common Shares are listed, is greater than C\$14.10 for 20 consecutive trading days, the Company may, within 10 business days of the occurrence of such event, deliver a notice to the holders of Warrants accelerating the expiry date of the Warrants to the date that

is 30 days following the date of such notice (the “**Accelerated Exercise Period**”). Any unexercised Warrants shall automatically expire at the end of the Accelerated Exercise Period.

- Over-Allotment Option:** Up to 15% of the number of Offered Securities, and/or the components thereof, issued pursuant to the Offering to cover any over-allotments, if any, and for market stabilization purposes, exercisable within 30 days following the closing of the Offering at the Offering Price (the “**Over-Allotment Option**”).
- Use of Proceeds:** The net proceeds from the Offering of the Offered Securities will be used to fund research and development programs, general and administrative expenses and for working capital purposes.
- Form of Offering:** The Offered Securities will be offered in each of the provinces of Canada (other than Quebec), by way of a prospectus supplement to the Company’s base shelf prospectus dated May 5, 2021, to be filed in each of the provinces of Canada, pursuant to National Instrument 44-102 – *Shelf Distributions* and National Instrument 44-101 – *Short Form Prospectus Distributions* and by way of private placement in the United States, or to, or for the account or benefit of “U.S. persons” (as defined in Regulation S under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), pursuant to an exemption from the registration requirements under the U.S. Securities Act, and applicable state securities laws, and in such other jurisdictions outside of Canada and the United States as are agreed to by the Company and the Agent provided that sales into such jurisdictions will not give rise to any registration, qualification or continuous disclosure obligations in such jurisdictions.
- Listing:** The Company will obtain the necessary approvals to list the Common Shares comprised in the Units, as well as the Warrant Shares and the Common Shares issuable upon the exercise of compensation warrants, for trading on the CSE.
- Eligibility:** The Units and the underlying securities thereof are eligible for RRSPs, RRIFs, RDSPs, RESPs, TFSAs and DPSPs.
- Commission:** 8.0% cash commission and 5.0% compensation warrants (including from the exercise, if any, of the Over-Allotment Option), subject to a reduction for certain orders on a “President’s List”. On certain purchasers additional 8% cash commission and 5% compensation warrants (including from the exercise, if any, of the Over-Allotment Option for certain purchasers) would be payable due to a prior agreement with a U.S. investment bank.
- Agent:** Research Capital Corporation as the sole agent and sole bookrunner (the “**Agent**”) for the Offering.
- Closing:** The closing of the Offering will occur on or about July 4, 2022, or such other earlier or later date as the Agent and Company may agree upon.