

**PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A DECISION PRIOR TO 2:00 P.M. (PACIFIC TIME) ON APRIL 27, 2023.**

*This rights offering circular (this “Circular”) has been prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Circular. Any representation to the contrary is an offence.*

*This is the Circular we referred to in the March 21, 2023 rights offering notice (the “Notice”), which you should have already received. Your Rights certificate or DRS advice and relevant forms were enclosed with the Notice. This Circular should be read in conjunction with the Notice and our continuous disclosure prior to making an investment decision.*

*The offer of these securities is made in all provinces and territories of Canada (the “Eligible Jurisdictions”). In addition, the offering is not being made in jurisdictions where the Company is not eligible to make such offer.*

*The Rights, the underlying Shares and Warrants, and the Shares issuable upon exercise of the Warrants, have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any U.S. state securities laws. This Circular does not constitute an offer to sell or a solicitation of an offer to buy any of the securities within the United States, and the securities may not be offered or sold in the United States, or to or for the account or benefit of any person in the United States or any U.S. person, unless registered under the U.S. Securities Act and applicable U.S. state securities laws, or pursuant to an exemption from such registration requirements as described herein. “United States” and “U.S. person” are as defined in Regulation S under the U.S. Securities Act.*

**Rights Offering Circular**

**March 21, 2023**



**ALGERNON PHARMACEUTICALS INC.**

**We have a working capital deficiency of \$1,900,000 as of February 28, 2023. We require 100% of the Offering to fund Algernon for approximately 12 months.**

**OFFERING OF RIGHTS TO SUBSCRIBE FOR UNITS AT A PRICE OF \$0.25 PER UNIT**

References in this Circular to “we”, “our”, “us” and similar terms are to Algernon Pharmaceuticals Inc. (“Algernon” or the “Company”). References in this Circular to “you”, “your” and similar terms are to holders of Algernon’s Class A common shares (the “Shares”). Unless otherwise indicated, references herein to “\$” or “dollars” are to Canadian dollars.

## SUMMARY OF THE RIGHTS OFFERING

<b>Why are you reading this Circular?</b>	We are issuing to the holders of our outstanding Shares and who are resident in an Eligible Jurisdiction, rights to subscribe for units (“ <b>Units</b> ”) on the terms described in this Circular. The purpose of this Circular is to provide you with detailed information about your rights and obligations in respect of the rights offering (the “ <b>Rights Offering</b> ”). This Circular should be read in conjunction with the Notice.
<b>What is being offered?</b>	Each holder of Shares of Algernon of record at close of market on March 29, 2023 (the “ <b>Record Date</b> ”) who is resident in an Eligible Jurisdiction will be offered one (1) transferable right (a “ <b>Right</b> ”) for each one (1) Share held.
<b>Who is eligible to receive Rights?</b>	<p>The Rights are being offered only to shareholders resident in Eligible Jurisdictions (“<b>Eligible Holders</b>”). Shareholders will be presumed to be resident in the place shown on their registered address, unless the contrary is shown to our satisfaction. Neither the Notice nor this Circular is to be construed as an offering of the Rights, nor are the Units issuable upon exercise of the Rights offered for sale, in any jurisdiction outside of Eligible Jurisdictions or to shareholders who are residents of any jurisdiction other than the Eligible Jurisdictions (“<b>Ineligible Holders</b>”).</p> <p>Ineligible Holders will not receive a DRS Advice, Rights Certificate or Subscription Form (as hereinafter defined), but will be sent a letter advising them that their Rights will be held by TSX Trust Company (the “<b>Rights Agent</b>”), who will hold such Rights as agent for the benefit of all such Ineligible Holders. See “<i>How to exercise the Rights? Who is eligible to receive Rights?</i>”</p>
<b>What does one Right entitle you to receive?</b>	<p>Each one (1) Right entitles you to subscribe for one (1) Unit of Algernon at a subscription price of \$0.25 per Unit (the “<b>Basic Subscription Privilege</b>”) until 2:00 p.m. (Pacific time) on April 27, 2023. Each Unit will consist of one Share and one transferable Share purchase warrant (a “<b>Warrant</b>”). Each Warrant entitles the holder to purchase one additional Share (a “<b>Warrant Share</b>”) at the exercise price of \$0.52 until 2:00 p.m. (Pacific Time) on the date that is 18 months from the date of issuance of the Warrants or such earlier time as may be required by TSX Trust Company, as warrant agent, (the “<b>Warrant Agent</b>”) pursuant to their internal procedures (the “<b>Warrant Expiry Date</b>”), subject to the Acceleration Right (as hereinafter defined).</p> <p>If you exercise your Basic Subscription Privilege in full, you will also be entitled to subscribe <i>pro rata</i> for Units (the “<b>Additional Units</b>”) not otherwise purchased, if any, pursuant to the Basic Subscription Privilege (the “<b>Additional Subscription Privilege</b>”).</p>
<b>What is the subscription price?</b>	\$0.25 per Unit (the “ <b>Subscription Price</b> ”).
<b>When does the Offer expire?</b>	2:00 p.m. (Pacific time) on April 27, 2023 (the “ <b>Expiry Date</b> ”).

<p><b>What are the significant attributes of the Rights issued under the Rights Offering and the securities to be issued upon the exercise of the Rights?</b></p>	<p>Each one (1) Right entitles you to subscribe for one (1) Unit at the Subscription Price. The Rights are transferable. See “How does a Rights holder sell or transfer Rights?” A Right does not entitle the holder thereof to any rights whatsoever as a securityholder of Algernon other than the right to subscribe for and purchase Units on the terms and conditions described herein.</p> <p>We are authorized to issue an unlimited number of Shares of which 9,666,988 are issued and outstanding as of the date hereof. Holders of Shares are entitled to dividends if, as and when declared by our directors, to one vote per share at meetings of our shareholders and, upon liquidation, to receive such assets of Algernon as are distributable to the holders of the Shares.</p> <p>The Warrants will be issued under a warrant indenture (the “<b>Warrant Indenture</b>”). Each Warrant will be exercisable to purchase one Warrant Share at a price of \$0.52 per Warrant Share at any time before 2:00 p.m. (Pacific time), or such earlier time as may be required by the Warrant Agent pursuant to their internal procedures, on the Warrant Expiry Date, subject to the Acceleration Right. The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon exercise of the Warrants and/or exercise price per security upon the occurrence of certain events, and the Warrant Indenture may be amended, all of which will be described in the Warrant Indenture that will be available in the Company's public disclosure documents on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>.</p> <p>The Company may accelerate (the “<b>Acceleration Right</b>”) the Warrant Expiry Date of the Warrants to a date that is not less than 30 days following delivery of an acceleration notice to the holders of Warrants if the volume weighted average price of the Shares for each of 10 consecutive trading days on the CSE (as hereinafter defined) exceeds \$1.04 (subject to adjustment for forward and reverse stock splits, recapitalizations, stock dividends and the like).</p>
<p><b>What are the minimum and maximum number or amount of Shares that may be issued under the Rights Offering?</b></p>	<p>A maximum of 9,666,988 Units (the “<b>Offering</b>”) will be issued under the Rights Offering. There is no minimum number of Units that will be issued under the Rights Offering.</p>
<p><b>Where will the Rights and the securities issuable upon the exercise of the Rights be listed for trading?</b></p>	<p>The Company's Shares are listed for trading on the Canadian Securities Exchange (the “<b>CSE</b>”) under the trading symbol “AGN” and will commence trading “Ex-Rights” on March 28, 2023.</p> <p>The Rights will trade on the CSE under the trading symbol “<b>AGN.RT</b>” on March 28, 2023 until 9:00 a.m. (Pacific time) on April 27, 2023.</p> <p>The Warrants, when issued, are also expected to be listed on the CSE, subject to the Company satisfying the distribution requirements of the CSE that at least 50 public shareholders hold at least one board lot each of Warrants.</p>

	The Shares that comprise the Units issuable upon the exercise of the Rights and the Warrant Shares issuable upon exercise of the Warrants will also trade on the CSE.
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### FORWARD-LOOKING STATEMENTS

This Circular contains forward-looking statements. All statements, other than statements of historical fact that address activities, events or developments that we believe, expect or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements reflect our current expectations or beliefs based on information currently available to us. Forward-looking statements in this Circular include, without limitation, statements with respect to: our expectations regarding the estimated costs of the Rights Offering and the net proceeds to be available upon completion; the use of proceeds from the Rights Offering and the availability of funds from sources other than the Rights Offering; and our ability to continue as a going concern.

Forward-looking statements are subject to a number of risks and uncertainties that may cause our actual results to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, us. Factors that could cause actual results or events to differ materially from current expectations include, among other things, uncertainties relating to the availability and cost of funds; closing the Rights Offering; delays in obtaining or failure to obtain required approvals to complete the Rights Offering; the uncertainty associated with estimating costs to complete the Rights Offering, including those yet to be incurred; and other risks related to our business and the Rights Offering.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, we disclaim any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although we believe that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to their inherent uncertainty.

### NOTICE TO SHAREHOLDERS IN THE UNITED STATES

**THIS RIGHTS OFFERING, THE RIGHTS, THE SHARES AND WARRANTS COMPRISING THE UNITS ISSUABLE UPON EXERCISE OF THE RIGHTS, AND THE WARRANT SHARES ISSUABLE UPON EXERCISE OF THE WARRANTS, HAVE NEITHER BEEN APPROVED NOR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES; NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THIS RIGHTS OFFERING OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

The Rights, the Shares and Warrants comprising the Units issuable upon exercise of the Rights, and the Warrant Shares issuable upon exercise of the Warrants, have not been and will not be registered under the U.S. Securities Act, or any U.S. state securities laws. Shareholders that have an address in the United States, are U.S. residents, or are in the United States at the time of the receipt or exercise of the Rights, cannot participate in the Rights Offering unless such shareholder can provide evidence satisfactory to the Company that such shareholder is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the U.S. Securities Act ("**Regulation D**") in a manner which satisfies the requirements of Rule 506(c) of Regulation D.

This Circular has been prepared in accordance with the disclosure requirements of applicable Canadian securities laws. Prospective investors should be aware that those requirements are different from those of the United States.

Financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition or disposition of the securities described in this Circular may have tax consequences in Canada, the United States, or elsewhere. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should consult their own tax advisors with respect to such tax considerations.

The enforcement by investors of civil liabilities under United States federal securities laws may be adversely affected by the fact that the Company is governed by the laws of British Columbia, Canada, that some or all of its officers and directors may be residents of a country other than the United States, that some or all of the experts named in the Circular may be located outside of the United States, and that all or a substantial portion of the assets of said persons may be located outside the United States.

### USE OF AVAILABLE FUNDS

#### What will our available funds be upon the closing of the Rights Offering?

Pursuant to the Rights Offering, the Company will raise gross proceeds of up to \$2,416,747. The Company estimates that it will have the following funds available after giving effect to the Rights Offering.

		Assuming 15% of Rights Offering	Assuming 50% of Rights Offering	Assuming 75% of Rights Offering	Assuming 100% of Rights Offering
A	Amount to be raised by the Rights Offering	\$362,512	\$1,208,374	\$1,812,560	\$2,416,747
B	Selling commissions and fees <sup>(1)</sup>	\$35,407	\$71,356	\$97,034	\$122,712
C	Estimated offering costs (e.g., legal, Rights Agent, accounting)	\$100,000	\$100,000	\$100,000	\$100,000
D	Available funds: D = A - (B+C)	\$227,105	\$1,037,018	\$1,615,526	\$2,194,035
E	Additional sources of funding required <sup>(2)</sup>	\$800,000	\$800,000	\$800,000	\$800,000
F	Working capital (deficiency) as of February 28, 2023	(\$1,900,000)	(\$1,900,000)	(\$1,900,000)	(\$1,900,000)
G	Total: G = (D+E) + F	(\$872,895)	(\$62,982)	\$515,526	\$1,094,035

Notes:

- (1) The Company has entered into an agreement with the Soliciting Dealer (as hereinafter defined) pursuant to which the Soliciting Dealer has been appointed as the exclusive soliciting dealer for and on behalf of the Company on a commercially reasonable efforts basis. Pursuant to the Soliciting Dealer Agreement (as hereinafter defined), the Company will pay a cash commission of 2.0% of the gross proceeds raised from the President's List (as hereinafter defined), up to 25% of the ownership of the Company, and 5.0% of the remaining gross proceeds from the Rights Offering. In addition, the Company will pay the Soliciting Dealer a corporate finance fee of \$20,000 + \$2,600 HST for a total of \$22,600. The Company will also pay all reasonable costs and expenses related to the Rights Offering and issue Soliciting Dealer Warrants (as hereinafter defined). For the purpose of the presentation above, it is assumed that the Rights Offering will be fully subscribed (for gross proceeds of \$2,416,747) and that the President's List is fully subscribed. (See "Managing Dealer, Soliciting Dealer and Underwriting Conflicts").
- (2) The Company's wholly-owned subsidiary, Algernon NeuroScience Inc. is raising up to USD\$10,000,000 under Regulation A of the SEC (the "**Reg A Financing**"). From the proceeds of the Reg A Financing, the Company expects to access an additional \$800,000, consisting of \$500,000 pertaining to a management fee payable to the Company and \$300,000 of expenses, which are included in the working capital deficiency as at February 28, 2023.

As at November 30, 2022, the Company's working capital deficiency was \$1,225,832. The Company's working capital since November 30, 2022 has decreased due to additional expenses incurred between November 30, 2022 and March 21, 2023. (see "How will we use the available funds?" below).

The following table provides information regarding the significant changes in the working capital deficiency since August 31, 2022, as set forth in our interim financial statements for the period ending November 30, 2022.

<b>Significant Changes in Working Capital</b>			
	<b>August 31, 2022</b>	<b>November 30, 2022</b>	<b>Change</b>
	<b>(Audited)</b>	<b>(Unaudited)</b>	
Current assets	\$2,827,098	\$1,322,567	(\$1,504,531)
Current Liabilities	\$2,516,099	\$2,237,400	\$278,699
Working Capital (Deficiency)	\$310,999	(914,833)	(\$1,225,832)

As shown in the table above, from the year ended August 31, 2022 to November 30, 2022, the current liabilities have decreased by \$278,699 due increased payments made during the three months ended November 30, 2022, offset by expenses incurred in the quarter resulting in a decrease in current assets by \$1,504,531 and an increase of \$1,225,832 in the working capital deficiency as of November 30, 2022.

#### **How will we use the available funds?**

We plan to use the net proceeds of the Rights Offering for the purposes set out in the table below.

<b>Description of intended use of available funds</b>	<b>Assuming 15% of Rights Offering</b>	<b>Assuming 50% of Rights Offering</b>	<b>Assuming 75% of Rights Offering</b>	<b>Assuming 100% of Rights Offering</b>
General and Administrative Expenses	Nil	Nil	\$515,526	\$1,094,035
<b>Total: Equal to G in the available funds)</b>	<b>Nil</b>	<b>Nil</b>	<b>\$515,526</b>	<b>\$1,094,035</b>

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

The ability of the Company to continue operations and carry out its planned business objectives is dependent on its ability to raise adequate financing from shareholders and other investors, the continued support from its directors, creditors and stakeholders. The outcome of these matters cannot be predicted at this time. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. **The above factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and liabilities in the normal course of business.**

The Company intends to use proceeds from the Rights Offering or general and administrative purposes and working capital.

We have had negative operating cash flows since inception and expect that negative operating cash flows will continue until such time as the Company's drug candidates are commercialized in the markets where the Company intends to seek approval for those drug candidates. We anticipate incurring operating losses for the foreseeable future. Our future

financial results are also uncertain due to a number of factors, some of which are outside our control. These factors include the following:

- our ability to raise additional funding from capital markets;
- our ability to sell, partner or out-licensing our drug development programs; and
- our ability to obtain external debt.

For these reasons there is substantial doubt that we will be able to continue as a going concern.

The Company currently has a working capital deficiency and at 15% and 50% of the Offering, this working capital deficiency is not eliminated. At 100% and 75% of the Offering, the Company would have positive working capital and intends to use the remaining proceeds of the Rights Offering for general corporate purposes. Under the 15% and 50% thresholds, the Company will negotiate and evaluate all liabilities and on-going expenditures in order to continue to meet the business objectives and milestones set out by the Company. At these thresholds the Company would only have sufficient funds to pay for a portion of its general and administrative expenses and would prioritize certain basic office costs, non-executive payroll and consulting and professional fees to allow the Company to continue to operate. Under these thresholds, the Company will require additional funding and will seek to raise additional capital through all channels, including but not limited to, private placements, public offerings, the Company's existing "at-the-market" offering, warrant exercises, including possible incentives to exercise, and the Company's subsidiary Algernon NeuroScience Inc.'s proposed Reg A Financing. At 100% of the Offering, the funds raised under the Rights Offering will be sufficient to cover the Company's short-term liquidity requirements and overhead expenses for the next 12 months. Additional capital is required in order to continue to operate as a going concern and advance the Company's research and development, including funds being raised under the Reg A Financing. As a result, **there are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.**

#### **How long will the available funds last?**

We expect that 100% of the Rights Offering will be sufficient to meet our working capital requirements for approximately 12 months from the date of this Circular. It is insufficient to meet our working capital requirements for the Company to fund the Company and to continue the Company's research and investigation of repurposing multiple drugs for unmet global medial needs.

Our only present means of acquiring investment capital is by means of the sale of our Shares. We have limited funds to engage in research and investigation of repurposing drugs. There is no assurance that we will be able to raise additional financing in the future and there are material uncertainties that cast significant doubt upon our ability to continue as a going concern.

### **INSIDER PARTICIPATION**

#### **Will insiders be participating?**

The Company believes that its directors and senior officers who own Shares intend to exercise the majority of their Rights to purchase Units under their Basic Subscription Privilege; however, the number of approximate Rights that will be exercised by directors and senior officers cannot be ascertained as at the date of this Circular. In addition, the Company believes its 10% shareholder intends to exercise all of its Rights to purchase Units under its Basic Subscription Privilege.

This reflects the intentions of such "insiders" (as defined in applicable Canadian securities legislation) as of the date hereof to the extent such intentions are reasonably known to the Company; however, such insiders may alter their intentions before the Expiry Time on the Expiry Date. No assurance can be given that the respective insiders will exercise their Rights to acquire Units. As at the date hereof, insiders of the Company, own or exercise control or direction over, directly or indirectly, 1,505,206 Shares, representing approximately 15.57% of the issued and

outstanding Shares. In the event that these Shareholders purchase 1,505,260 Units pursuant to the Basic Subscription Privilege, these Shareholders would own an aggregate of 4,515,780 Shares, assuming the full exercise of the Warrants.

**Who are the holders of 10% or more of our securities before and after the Rights Offering?**

To the knowledge of the directors and senior officers of the Company, as at the date hereof, no person or company beneficially owns, directly or indirectly, or controls or directs more than 10% of any class of Algernon's voting securities, other than as set out below.

Name	Holdings before the Rights Offering	Holdings after the Rights Offering
AlphaNorth Asset Management	1,268,040 Shares (13.12%) <sup>(1)</sup> 624,000 Warrants	2,536,080 Shares (13.12%) <sup>(2)</sup> 1,892,040 Warrants

(1) Based on 9,666,988 issued and outstanding Shares.

(2) Based on 19,333,976 issued and outstanding Shares, assuming the issuance of 100% of the Units under the Rights Offering and full exercise of the shareholders' Basic Subscription Privilege.

**DILUTION**

**If you do not exercise your Rights, by how much will your security holdings be diluted?**

If you wish to retain your current percentage ownership of the Shares, you should exercise your Rights and pay the Subscription Price for the Shares to which you are entitled under the Basic Subscription Privilege. If you fail to do so, your percentage ownership of the Shares will be diluted by approximately 50%.

As an illustration, if you own 1,000,000 Shares on the Record Date, fail to exercise your right to purchase 1,000,000 Units under the Offering, and all other Shareholders fully exercise their Basic Subscription Privilege and Additional Subscription Privilege (i.e., the Company issues 9,666,988 Units), your percentage ownership of the issued and outstanding Shares will change from 10.34% to 5.17%, assuming no exercise of Warrants.

If all of the Warrants to be ultimately issued pursuant to the Rights Offering were also exercised and you fail to exercise your Rights as per the foregoing, your percentage ownership of the Shares will be diluted by a further approximately one-third or 33.33% or an overall dilution of 66.66% (i.e. 9,666,988 Common Shares issued initially under the Rights Offering and a further 9,666,988 Warrant Shares issued upon exercise of the Warrants for a total of 29,000,964 Shares issued under the Rights Offering on a fully-diluted basis).

**STANDBY COMMITMENT**

There is no formal standby commitment.

**MANAGING DEALER, SOLICITING DEALER AND UNDERWRITING CONFLICTS**

**Who is the managing or soliciting dealer and what are its fees?**

The Company has entered into an agreement with the Research Capital Corporation (the "**Soliciting Dealer**" or "**RCC**") pursuant to which the Soliciting Dealer has been appointed as the exclusive soliciting dealer for and on behalf of the Company on a commercially reasonable efforts basis. On or before the closing date of the Rights Offering, the Company will enter into a soliciting dealer agreement with RCC (the "**Soliciting Dealer Agreement**"). Pursuant to the Soliciting Dealer Agreement, the Company will pay a cash commission of 5.0% of the gross proceeds from the Rights



Offering, other than proceeds from any Units sold to subscribers listed on the president's list of the Company (the "**President's List**") for which the Company will pay a 2.0% cash commission. In addition, the Company will pay RCC a corporate finance fee of \$20,000 + \$2,600 HST for a total of \$22,600. Whether or not the Rights Offering is completed, the Company will pay all reasonable costs and expenses related to the Rights Offering. The Company will also issue to RCC that number of soliciting dealer warrants (the "**Soliciting Dealer Warrants**") equal in number to: (a) 5.0% of the aggregate number of Units sold under the Rights Offering, other than any Units sold to subscribers listed on the President's List; and b) 2.0% of the aggregate number of Units sold under the Rights Offering sold to subscribers that are listed on the President's List. Each Soliciting Dealer Warrant will entitle RCC to purchase, at an exercise price equal to \$0.25, one Unit for 18 months from the date issue.

RCC will also have the right, but not the obligation, to purchase (the "**Top-up Right**") such number of Units that is equal to the number of Units for which we have not received subscriptions by the close of business on the Expiry Date (the "**Offering Shortfall**"). The Top-up Right may be exercised by RCC, in its sole discretion in whole, or in part, or not at all, within two business days following receipt of notice by us of the Offering Shortfall. For example, if the Offering Shortfall is \$500,000 (i.e. as at the Expiry Date we have received subscriptions for Units that is \$500,000 less than the maximum Rights Offering) then we will provide notice of the Offering Shortfall to RCC whom may elect to purchase up to \$500,000 of Units under the Top-up Right, provided that RCC will not be obligated to purchase any Units under the Top-up Right. The Company will pay RCC a cash commission of 5.0% of the gross proceeds raised from the Offering Shortfall and issue that number of Soliciting Dealer Warrants as is equal to 8.0% of the number of Units purchased pursuant to the Top-up Right.

## HOW TO EXERCISE THE RIGHTS

### How does a security holder that is a registered holder participate in the Rights Offering?

If you are a registered holder of Shares, a certificate (a "**Rights Certificate**") or a direct registration advice issued under the Rights Agent's direct registration system (the "**DRS Advice**") representing the total number of transferable Rights to which you are entitled as of the Record Date and a Rights subscription form (the "**Subscription Form**") have been mailed to you with a copy of the Notice. To exercise the Rights represented by the Rights Certificate or DRS Advice, you must complete and deliver the Subscription Form in accordance with the instructions set out below. Rights not exercised at or prior to 2:00 p.m. (Pacific time) on April 27, 2023 (the "**Expiry Time**") will be void and of no value. The method of delivery is at the discretion and risk of the holder of the Rights and delivery to the Rights Agent will only be effective when actually received by the Rights Agent at its office. See "*Appointment of Rights Agent – Who is the Rights Agent?*". Subscription Forms and payments received after the Expiry Time will not be accepted.

In order to exercise your Rights you must:

1. **Complete and sign Box 1 of the Subscription Form.** The maximum number of Rights that you may exercise under the Basic Subscription Privilege is shown on the face of the Rights Certificate or DRS Advice. If you complete Box 1 of the Subscription Form so as to exercise some but not all of the Rights evidenced by the Rights Certificate or DRS Advice, you will be deemed to have waived the unexercised balance of such Rights, unless you otherwise specifically advise the Rights Agent at the time the Subscription Form is delivered to the Rights Agent.
2. **Additional Subscription Privilege.** Complete and sign Box 2 of the Subscription Form only if you also wish to participate in the Additional Subscription Privilege and you have fully subscribed your Basic Subscription Privilege. See "*How to Exercise the Rights? – What is the Additional Subscription Privilege?*"
3. **Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of TSX Trust Company.** In order to purchase one Unit, you must own one (1) Right and pay a price of \$0.25 per Unit. In addition to the amount payable for any Units you wish to purchase under the Basic

Subscription Privilege, you must also pay the amount required for any Units subscribed for under the Additional Subscription Privilege.

4. **Delivery.** Deliver or mail the completed Subscription Form and payment in the enclosed return envelope addressed to the Rights Agent so that it is received before the Expiry Time. If you are mailing your documents, registered mail is recommended. Please allow sufficient time to avoid late delivery. The address for the Rights Agent is as follows:

By Registered Mail, Mail, Hand or Courier

TSX Trust Company  
100 Adelaide Street West  
Suite 301  
Toronto, Ontario  
M5H 4H1  
Attention: Corporate Actions

The signature on the Subscription Form must correspond in every particular with the name that appears on the face of the Subscription Form.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a company or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Rights Agent. We will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription in our sole discretion. Subscriptions are irrevocable. We reserve the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Units pursuant thereto could be unlawful. We also reserve the right to waive any defect in respect of any particular subscription. Neither we nor the Rights Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will we be liable for the failure to give any such notice.

#### **How does a security holder that is not a registered holder participate in the Rights Offering?**

You are a beneficial Eligible Holder if you hold your Shares through a securities broker or dealer, bank or trust company or other participant (a "**Participant**") in the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). The total number of Rights to which all beneficial Eligible Holders as of the Record Date are entitled will be issued to CDS and will be deposited with CDS following the Record Date. We expect that each beneficial Eligible Holder will receive a confirmation of the number of Rights issued to it from the applicable Participant in accordance with the practices and procedures of that Participant. CDS will be responsible for establishing and maintaining book-entry accounts for Participants holding Rights.

Neither we nor the Rights Agent will have any liability for (i) the records maintained by CDS or Participants relating to the Rights or the book-entry accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Rights, or (iii) any advice or representations made or given by CDS or Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or Participants.

If you are a beneficial Eligible Holder:

1. to exercise your Rights held through a Participant, you must instruct such Participant to exercise all or a specified number of such Rights, and forward to such Participant, the Subscription Price for each Unit that you wish to subscribe for; and
2. you may subscribe for Additional Units pursuant to the Additional Subscription Privilege, if you have fully subscribed your Basic Subscription Privilege, by instructing such Participant to exercise the Additional Subscription Privilege in respect of the number of Additional Units you wish to subscribe for, and forwarding to such Participant the Subscription Price for such Additional Units requested.

Any excess funds will be returned to the applicable Participant for the account of the beneficial holder, without interest or deduction.

### **Who is eligible to receive Rights?**

The Rights Offering is only being made to Eligible Holders. The Rights and Units issuable upon exercise of the Rights are not being offered, with limited exceptions, to persons who are or appear to be, or who the Company or the Rights Agent have reason to believe are, residents of jurisdictions other than the Eligible Jurisdictions, nor will the Company or Rights Agent accept subscriptions from any Ineligible Holder or from any transferee of Rights who is or appears to be, or who the Company or Rights Agent have reason to believe is, a resident of any jurisdiction or place other than the Eligible Jurisdictions, unless such security holder or transferee satisfies the Company on or before April 20, 2023 that such offering to and subscription by such security holder or transferee is lawful and in compliance with all securities and other laws applicable in the Eligible Jurisdictions and the jurisdiction where such security holder or transferee is resident and would not require the Company to file any documentation, make any application or make any payment of any nature whatsoever. Following such date and prior to the Expiry Time, the Rights Agent shall, for the account of registered Ineligible Holders, attempt to sell the Rights of such Ineligible Shareholders represented by Rights Certificates or DRS Advices in the possession of the Rights Agent on such date(s) and at such price(s) as the Rights Agent determines in its sole discretion. No charge will be made for the sale of Rights by the Rights Agent except for a proportionate share of any brokerage commissions incurred by the Rights Agent and the costs of or incurred by the Rights Agent in connection with the sale of the Rights. Ineligible Holders will not be entitled to instruct the Rights Agent in respect of the price or the time at which the rights are to be sold. The Rights Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Rights Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a *pro rata* basis among such registered Ineligible Holders and delivered by mailing cheques in Canadian funds as soon as practicable to such registered Ineligible Holders at their addresses recorded on the Company's books. Amounts of less than \$10.00 will not be remitted. The Rights Agent will act in its capacity as agent of the registered Ineligible Holders on a best-efforts basis only and the Company and the Rights Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder.

The United States is not an Eligible Jurisdiction. The Rights, and the Shares and Warrants that comprise the Units issuable on the exercise of the Rights, and the Warrant Shares issuable upon exercise of the Warrants, have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws. Consequently, this Rights Offering is not being made in the United States, and under no circumstances is it to be construed as an offering of any securities for sale to a "U.S. person" (as defined in Regulation S of the U.S. Securities Act, a "**U.S. Person**") or a person located in the United States, or a solicitation thereto or therein of an offer to buy any securities of the Company. Accordingly, subscriptions for Units will not be accepted from or on behalf of shareholders whose addresses of record are in the United States or otherwise believed by the Company to be in the United States or U.S. Persons.

Notwithstanding the foregoing, Ineligible Holders will be allowed to exercise their Rights, if they establish to the satisfaction of the Company that the receipt by them of the Rights and the issuance to them of the Units upon the exercise of the Rights: (a) will not be in violation of the laws of their jurisdiction of residence or other applicable jurisdiction; and (b) will not impose any requirement on the Company to comply with legal requirements in the applicable jurisdiction other than those being complied with for the offering of Rights in the Eligible Jurisdictions, or if management of the Company, in its own discretion, agrees to meet the legal requirements of the applicable jurisdiction.

Without limiting the generality of the foregoing, an Ineligible Holder (a "**U.S. Ineligible Holder**") that is a direct or indirect holder with an address of record in the United States (or whom the Company otherwise reasonably believes to be in the United States or a United States resident) and

- (1) who is an "accredited investor" that satisfies one or more of the criteria set forth in Rule 501(a) of Regulation D (each a "**U.S. Accredited Investor**"), and who provides evidence to such effect, in a form which satisfies,

in the sole discretion of the Company, the requirements of Rule 506(c) of Regulation D, which may require the U.S. Ineligible Holder to provide to us all or any combination of: (a) a United States Internal Revenue Service form that reports such U.S. Ineligible Holder's income for the most recent two years; (b) bank statements and other statements of securities holdings, certificates of deposit or tax assessments; (c) a consumer report from a United States nationwide consumer reporting agency; (d) written confirmation from a United States registered broker-dealer, an investment adviser registered with the SEC, a licensed United States attorney or an accountant as to whether such U.S. Ineligible Holder is a U.S. Accredited Investor; (e) any other information we deem necessary to confirm the U.S. Ineligible Holder's status as a U.S. Accredited Investor in order to comply with Rule 506(c) of Regulation D; and

- (2) satisfies us that such offering to and subscription by such U.S. Ineligible Holder is lawful and in compliance with all applicable securities and other laws;

may have a Rights Certificate or DRS Advice in respect of its Rights issued and forwarded by the Rights Agent upon direction from us. Further, any such U.S. Ineligible Holder shall only be entitled to exercise any Warrants issued upon exercise of its Rights at a time when the U.S. Ineligible Holder (a) continues to qualify as a U.S. Accredited Investor, and (b) provides evidence to such effect, in a form which satisfies, in the sole discretion of the Company, the requirements of Rule 506(c) of Regulation D.

Rights Certificates or DRS Advices in respect of Rights issued to Ineligible Holders will not be issued and forwarded to Ineligible Holders. Ineligible Holders have been sent the Notice of Rights Offering for information purposes only, together with a letter advising them that their Rights Certificate or DRS Advices will be issued to and held by the Rights Agent, which will hold such Rights as agent for the benefit of all Ineligible Holders. Instructions as to the exercise of the Rights held by Ineligible Holders will not be accepted from such shareholders (unless such holders satisfy the Company that the offer of Rights to, and subscriptions by, such holders is lawful and in compliance with all securities and other laws as described in the paragraph immediately above). Ineligible Holders may transfer their rights, provided that (i) such holders notify and provide transfer instructions to the Company and the Rights Agent, in writing, on or before April 20, 2023, and (ii) that the transferee's address on the transfer instructions is in an Eligible Jurisdiction. If the Company (i) is not satisfied that the offer of Rights to, and subscription by, such Ineligible Holders is lawful and in compliance with all securities and other laws as described in the paragraph immediately above, and (ii) does not receive transfer instructions from such Ineligible Holders to a transferee with an address in an Eligible Jurisdiction, such Rights will expire on the Expiry Date.

Shareholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to the satisfaction of the Company. A registered Ineligible Holder whose address of record is outside the Eligible Jurisdictions but who holds Shares on behalf of a holder who is eligible to participate in the Rights Offering must notify the Company and the Rights Agent, in writing, on or before April 20, 2023 if such beneficial holder wishes to participate in the Rights Offering. Otherwise, the Rights will expire on the Expiry Date.

Rights delivered to brokers, dealers or other Participants may not be delivered by those intermediaries to Ineligible Holders. Participants receiving Rights that would otherwise be deliverable to Ineligible Holders may attempt to sell those Rights for the accounts of such Ineligible Holders and should deliver the proceeds of sale to such persons. Participants are responsible for any action pertaining to Rights that may have been received on behalf of Ineligible Holders who are not eligible to participate in the Rights Offering.

Holders of Rights who are Ineligible Holders should be aware that the acquisition and disposition of the Rights and Units may have tax consequences in the jurisdiction where they reside and in Canada that are not described herein. Consequently, such Ineligible Holders should consult their own tax advisors concerning the tax implications of acquiring or disposing of Rights or Units.

### **What is the Additional Subscription Privilege and how can you exercise this privilege?**

Eligible Holders who have exercised all the Rights evidenced by such holder's Rights Certificate or DRS Advice may subscribe for Additional Units, if available, at the Subscription Price. Additional Units will be allocated from those Units, if any, available as a result of Rights that are unexercised by the Expiry Time.

If the aggregate number of Additional Units subscribed for by those who exercise their Additional Subscription Privilege is less than the number of available Additional Units, each such holder of rights will be allotted the number of Additional Units subscribed for under the Additional Subscription Privilege.

If the aggregate number of Additional Units subscribed for by those who exercise their Additional Subscription Privilege exceeds the number of available Additional Units, each such holder of Rights will be entitled to receive the number of Additional Units equal to the lesser of (i) the number of Units that holder subscribes for under the Additional Subscription Privilege, and (ii) the number of Units that is equal to the aggregate number of Units available through unexercised Rights multiplied by the quotient of the number of Rights previously exercised by such holder under the Rights Offering divided by the aggregate number of Rights previously exercised under the Rights Offering by holders of Rights that have subscribed for Units under the Additional Subscription Privilege.

A Rights holder may subscribe for Additional Units by (i) completing and signing Form 2 of the Subscription Form, and (ii) delivering the Subscription Form, together with payment for those Additional Units, to the Rights Agent on or before the Expiry Time. If payment for all Additional Units subscribed for pursuant to the Additional Subscription Privilege does not accompany the subscription, the over-subscription will be invalid.

If the Rights Offering is fully subscribed, then the funds included for any over-subscriptions will be returned by us to the relevant shareholders. If the Rights Offering is not fully subscribed, certificates representing the Units, due to shareholders as a result of over-subscriptions will be delivered by us together with the certificates representing such securities due to those shareholders pursuant to their subscriptions in accordance with the Basic Subscription Privilege. In addition, we will return to any over-subscribing shareholder within 30 calendar days of the Expiry Date any excess funds paid in respect of an over-subscription for Units where the number of Additional Units available to that shareholder is less than the number of Additional Units subscribed for. No interest will be payable by us in respect of any excess funds returned to shareholders.

### **How does a Rights holder sell or transfer Rights?**

The Rights will trade on the CSE. Holders of Rights not wishing to exercise their Rights may sell or transfer them directly or through their securities broker or dealer at the shareholder's expense, subject to any applicable resale restrictions. Rights will not be registered in the name of an Ineligible Holder. Holders of Rights may elect to exercise only a part of their Rights and dispose of the remainder or dispose of all of their Rights. Any commission or other fee payable in connection with the exercise or any trade of Rights is the responsibility of the holder of such Rights. Depending on the number of Rights a holder may wish to sell, the commission payable in connection with a sale of Rights could exceed the proceeds received from such sale.

If you are a registered holder of Rights and wish to transfer your Rights, you must complete Form 3 of the Subscription Form and have the signature guaranteed by an "eligible institution" to the satisfaction of the Rights Agent. For this purpose, eligible institution means a Canadian Schedule 1 chartered bank, a member of the Securities Transfer Agents Medallion Program, or a member of the Stock Exchange Medallion Program. Members of these programs are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada.

It is not necessary for a transferee to obtain a new Rights Certificate or Rights DRS Advice for the transferee to exercise the rights or the Additional Subscription Privilege, but the signature of the transferee on Forms 1 and 2 must

correspond in every particular with the name of the transferee shown on Form 3. If Form 3 is properly completed, the Company and the Rights Agent will treat the transferee as the absolute owner of the Rights Certificate or DRS Advice for all purposes and will not be affected by notice to the contrary. A Rights Certificate or DRS Advice so completed should be delivered to the appropriate person in ample time for the transferee to use it before the expiration of the rights.

**When can you trade securities issuable upon the exercise of your Rights?**

The underlying Shares that partially comprise the Units issuable upon the exercise of your Rights will be listed on the CSE under the trading symbol “AGN” and will be available for trading on or about May 3, 2023, but no later than May 17, 2023. Listing of the Warrants that partially comprise the Units issuable upon exercise of your Rights will require the approval of the CSE upon application by the Company after the Expiry Date. The Warrants must meet the CSE’s public distribution requirement to be approved to trade on the CSE.

**Are there restrictions on the resale of securities?**

The Shares and Warrants issuable upon exercise of Rights distributed to shareholders in the Eligible Jurisdictions may be resold without hold period restrictions under applicable securities laws of the Eligible Jurisdictions provided that: (i) the sale is not by a “control person” of Algernon; (ii) no unusual effort is made to prepare the market or create a demand for the securities being resold; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the resale; and (iv) if the selling security holder is an insider or officer of Algernon, the selling security holder has no reasonable grounds to believe that Algernon is in default of securities legislation.

The Rights may not be transferred to any person within the United States or to a U.S. Person. Holders of Shares in the United States, with U.S. addresses of record or who are U.S. Persons who receive Rights may transfer or resell them only in transactions outside of the United States in accordance with Regulation S under the U.S. Securities Act, which generally will permit the resale of the Rights through the facilities of the CSE provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no “directed selling efforts”, as that term is defined in Regulation S under the U.S. Securities Act, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to the Company’s “affiliates”, as that term is defined under the U.S. Securities Act. In order to enforce this resale restriction, holders thereof will be required to execute a declaration certifying that such sale is being made through the facilities of the CSE in accordance with Regulation S under the U.S. Securities Act.

Shares and Warrants issued to holders of Rights in the United States, with U.S. addresses or who are U.S. Persons will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act and may be offered and sold only in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws, and instruments representing such securities will bear a legend to such effect.

Warrants may not be exercised by, or for the account of benefit of any U.S. Person or any person in the United States, absent an exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Any Warrant Shares issued upon exercise of Warrants by, or for the account of benefit of any U.S. Person or any person in the United States, pursuant to an available exemption from such registration requirements will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act and may be offered and sold only in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws, and instruments representing such securities will bear a legend to such effect.

**The foregoing is a summary only and is not intended to be exhaustive. Holders of Rights or any of the underlying securities should consult with their advisors concerning restrictions on resale, and should not**

**resell their securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.**

Each holder is urged to consult their professional advisor to determine the exact conditions and restrictions applicable to the right to trade in securities.

**Will we issue fractional underlying securities upon exercise of the Rights?**

No.

#### **APPOINTMENT OF RIGHTS AGENT**

**Who is the Rights Agent?**

TSX Trust Company is the Rights Agent for the Rights Offering. The Rights Agent has been appointed to receive subscriptions and payments from holders of Rights and to perform the services relating to the exercise and transfer of the Rights.

**What happens if the Rights Offering is terminated?**

We have entered into an agreement with the Rights Agent under which the Rights Agent will return the money held by it to holders of Rights that have already subscribed for securities under the Rights Offering if the Rights Offering is terminated. If the Offering is terminated, the Rights Agent will return all funds held to holders of Rights that have subscribed for securities in connection with the Rights Offering without interest or deduction.

#### **ADDITIONAL INFORMATION**

**Where can you find more information about us?**

You can access our continuous disclosure documents filed with Canadian securities regulators under our issuer profile at [www.sedar.com](http://www.sedar.com).

#### **MATERIAL FACTS AND MATERIAL CHANGES**

**There is no material fact or material change about us that has not been generally disclosed.**