

ALGERNON PHARMACEUTICALS INC.

RIGHTS OFFERING NOTICE

Notice to Security Holders – March 21, 2023

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.

The purpose of this notice is to advise holders (“**Shareholders**”) of Class A common shares (“**Common Shares**”) of Algernon Pharmaceuticals Inc. (“**Algernon**”) of a proposed offering of rights (“**Rights**”) of Algernon (the “**Rights Offering**”).

References in this notice to “we”, “our”, “us” and similar terms are to Algernon. References in this notice to “you”, “your” and similar terms are to the Shareholders.

1. Who can participate in the rights offering?

We are issuing to the registered Shareholders of Common Shares of record at the close of business on March 29, 2023 (the “**Record Date**”) rights to subscribe for units of Algernon (the “**Units**”) on the terms described in our Rights Offering circular (the “**Rights Offering Circular**”). Each Shareholder of record at market close on the Record Date who is resident in an Eligible Jurisdiction (as defined below) may participate in the Rights Offering.

2. Who is eligible to receive rights?

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 Algernon is not eligible to make such offer. The Rights are being offered only to Shareholders resident in Eligible Jurisdictions (“**Eligible Holders**”).

The Rights, the underlying Common Shares and Warrants (as hereinafter defined), and the Warrant Shares (as hereinafter defined) 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 notice and the Rights Offering 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.

This notice is not 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 the Eligible Jurisdictions or to Shareholders who are residents of any jurisdiction other than the Eligible Jurisdictions (“**Ineligible Holders**”).

Ineligible Holders will not receive a Rights certificate or a DRS Advice (as hereinafter defined), but will be sent a letter describing how Ineligible Holders may (i) participate in the Rights Offering, in Algernon’s discretion, or (ii) transfer their Rights. If Ineligible Holders do not satisfy Algernon of their eligibility to participate in the Rights Offering or notify and provide transfer instructions to TSX Trust Company (the “**Rights Agent**”) retained by Algernon in connection with the Rights Offering, on or before 2:00 p.m. (Pacific time) (the “**Expiry Time**”) on April 27, 2023 (the “**Expiry Date**”), their Rights may not be exercised. Instead, the Rights Agent will attempt to sell any such remaining Rights for the account of the registered Ineligible Holders. The Rights Agent will distribute the proceeds from such sale, if any, *pro rata* to the registered Ineligible Holders. Any Rights remaining unexercised by the Expiry Time will be null and void.

3. How many rights are we offering?

We are offering a maximum of 9,666,988 Rights to Eligible Holders on the Record Date to purchase up to an aggregate of 9,666,988 Units.

4. How many rights will you receive?

We are offering each Eligible Holder one (1) Right for every one (1) Common Share held as of the Record Date.

5. What does one right entitle you to receive?

Each one (1) Right entitles an Eligible Holder to one (1) Unit at a subscription price of \$0.25 per Unit (the "**Basic Subscription Privilege**") until the Expiry Time on the Expiry Date.

Each Unit will consist of one Common Share and one transferable Common Share purchase warrant (a "**Warrant**"). Each Warrant entitles the holder to purchase one additional Common Share (a "**Warrant Share**") 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, pursuant to their internal procedures (the "**Warrant Expiry Date**"), subject to acceleration. Algernon may accelerate 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 holder of Warrants if the volume weighted average price of the Common Shares for each of 10 consecutive trading days on the Canadian Securities Exchange exceeds \$1.04 (subject to adjustment for forward and reverse stock splits, recapitalizations, stock dividends and the like).

Any Eligible Holder who exercises all of their Rights under the Basic Subscription Privilege will also have the additional privilege of subscribing, *pro rata*, for additional Units at the subscription price (the "**Additional Subscription Privilege**"). The Units available under the Additional Subscription Privilege will be those Units issuable in the Rights Offering that have not been subscribed and paid for under the Basic Subscription Privilege by the Expiry Time.

Any Eligible Holder who exercises their Rights must enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of TSX Trust Company, the Rights Agent, on or before the Expiry Time on the Expiry Date.

6. How will you receive your rights?

Registered Eligible Holders – If you are a registered Eligible Holder of Common Shares, a Rights certificate or DRS advice (a "**DRS Advice**") representing the total number of Rights that you are entitled to as of the Record Date and a subscription form (a "**Subscription Form**") are enclosed with this notice.

Beneficial Eligible Holders – You are a beneficial Eligible Holder of Common Shares if you hold your Common 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 and deposited with CDS following the Record Date. If you are a beneficial Eligible Holder, we expect you will receive a confirmation of the number of Rights issued to you 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.

7. When and how can you exercise your rights?

The period to exercise the Rights expires at the Expiry Time on the Expiry Date.

If you are a registered Eligible Holder who receives a Right certificate or DRS Advice, you must complete and deliver your Subscription Form on or before the Expiry Time on the Expiry Date to the Rights Agent 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

If you are a beneficial Eligible Holder, you must arrange exercises, transfers or purchases of Rights through your Participant on or before the Expiry Time on the Expiry Date or such earlier time as required by your Participant. We expect that each beneficial Eligible Holder will receive a customer confirmation of issuance or purchase, as applicable, from their Participant through which the Rights are issued in accordance with the practices and policies of such Participant.

8. What are the next steps?

This notice contains key information that you should know about Algernon. You can find more details in our Rights Offering Circular, a copy of which can be obtained on Algernon's profile at www.SEDAR.com or you can ask your dealer representative for a copy, or contact Algernon at 604-398-4175. You should read the Rights Offering Circular, along with Algernon's continuous disclosure record, to make an informed decision.

Dated: March 21, 2023

(signed) "Christopher Moreau"
Christopher Moreau
Chief Executive Officer
Algernon Pharmaceuticals Inc.