



**ALGERNON PHARMACEUTICALS INC.**  
400 - 601 West Broadway  
Vancouver, British Columbia Canada V5Z 4C2  
Tel: 604 398-4175

## INFORMATION CIRCULAR

All information is as at May 21, 2024 except where otherwise indicated.

This Information Circular (“**Information Circular**” or “**Circular**”) is provided in connection with the solicitation by management of **Algernon Pharmaceuticals Inc.** (the “**Company**”) of proxies (“**Proxies**”) from its holders (“**Shareholders**”) of the Class A common shares (the “**Shares**”) of the Company in respect of the annual general meeting of Shareholders (the “**Meeting**”) to be held on July 10, 2024 at 4:00 p.m. (Pacific Time), at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia Canada and for the purposes set out in the combined notice of meeting/notice and access (the “**Notice**”) accompanying this Circular.

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

### GENERAL PROXY INFORMATION

#### Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. The Company has arranged for intermediaries to forward the meeting materials to beneficial owners of Shares held as of the record date by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

#### Notice-and-Access

In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), arrangements have been made with intermediaries to forward the Notice and Access Notice, proxies and voting instruction forms to the Registered and Beneficial Shareholders of the Shares held of record by such parties.

The Company has given notice of the Meeting in accordance with NI 54-101, pursuant to which it has sent a combined Notice of Meeting/Notice and Access Notice and proxy or voting instruction form, but not the Information Circular (the “**Meeting Materials**”) directly to its registered Shareholders and those Beneficial Shareholders that have consented to allow their addresses to be provided to the Company (“**NOBOs**”). The Company does not intend to pay for intermediaries to forward the Notice and Access Notice and voting instruction form to those Beneficial Shareholders that have refused to allow their address to be provided to the Company (“**OBOs**”). Accordingly, OBOs will not receive the Notice and Access Notice and voting instruction form unless their respective intermediaries assume the cost of forwarding such documents to them.

Instead of mailing the Meeting Materials to Shareholders, the Company has posted the Meeting Materials on its website at [www.algernonpharmaceuticals.com](http://www.algernonpharmaceuticals.com) pursuant to the notice-and-access procedures of NI 54-101.

Shareholders will not receive a paper copy of the Meeting Materials unless they contact TSX Trust Company (“**TSX Trust**”) or Broadridge as referenced on the attached Notice. Provided the request is made prior to the Meeting, Shareholders will be mailed the Meeting Materials within three business days. Requests for paper copies of the Meeting Materials should be made no later than Wednesday, June 26, 2024 in order for Shareholders to receive paper copies of the Meeting Materials and return their completed proxies or voting instruction forms, as applicable, by the deadline for submission of 4:00 P.M. (Pacific Time) on Monday, July 8, 2024.

Copies of the combined Notice of Meeting/Notice and Access form, this Circular, the Proxy and the VIF are posted online at [www.algernonpharmaceuticals.com](http://www.algernonpharmaceuticals.com) and are SEDAR+ filed under the Company’s profile at [www.sedarplus.ca](http://www.sedarplus.ca).

#### Appointment of Proxyholders

The individuals named in the accompanying form of **Proxy** are directors and/or officers of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or Company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you on your behalf at the**

**Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

### **Voting by Proxyholder**

The persons named in the Proxy will vote or withhold from voting the Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Shares will be voted accordingly. The Proxy confers discretionary authority on persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors,
- (b) any amendment to or variation of any matter identified therein, and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Shares represented by the Proxy for the approval of such matter.

### **Registered Shareholders**

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered shareholders may choose one of the following options to submit their proxy:

- (a) complete, date and sign the Proxy and return it to the Company's transfer agent, TSX Trust Company, by fax at 416-595-9593, by hand delivery to 301-100 Adelaide St West, Toronto, ON M5H 4H1 or by mail to TSX Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1, or by email at [proxyvote@tmx.com](mailto:proxyvote@tmx.com); or
- (b) log on to TSX Trust's website at [www.meeting-vote.com](http://www.meeting-vote.com). Registered shareholders must follow the instructions provided on the website and refer to the enclosed proxy for the holder's account number and the proxy access number.

### For Shareholders with a 13 digit control number:

Request materials by calling TSX Trust Company through **telephone 1-888-433-6443 or Outside Canada and U.S. 1-416-682-3801** and entering your control number as indicated on your VIF or Proxy.

OR sending an **email** to TSX Trust Company at [tsxt-fulfilment@tmx.com](mailto:tsxt-fulfilment@tmx.com) by providing your name and mailing address. In either case you must ensure the proxy is received at least 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof. Failure to complete or deposit a proxy properly may result in its invalidation. The time limit for the deposit of proxies may be waived by the Chair of the Meeting. **Please note that in order to vote your Common Shares in person at the Meeting, you must attend the Meeting and register with the Scrutineer before the Meeting. If you have already submitted a Proxy, but choose to change your method of voting and attend the Meeting to vote, then you should register with the Scrutineer before the Meeting and inform them that your previously submitted proxy is revoked and that you personally will vote your Common Shares at the Meeting.**

### Notice to Shareholders in the United States

The solicitation of proxies involves securities of an issuer located in Canada and is being effected in accordance with the *Business Corporations Act* (British Columbia) (the "BCBCA") and Canadian provincial securities laws. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Company or this solicitation, and this Circular has been prepared in accordance with the disclosure requirements of applicable Canadian provincial securities laws which differ from the disclosure requirements of United States federal securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the BCBCA, all of its directors and its executive officers are residents of Canada, with the exception of nominee director, Howard Gutman, who is resident in the United States, and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

## Revocation of Proxies

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the registered shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to the Company's transfer agent, TSX Trust Company at, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) by fax to TSX Trust Company at 416-595-9593 by hand delivery to 301-100 Adelaide St West, Toronto, ON M5H 4H1, or by email at [proxyvote@tmx.com](mailto:proxyvote@tmx.com) at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or if by mail to TSX Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1, ensure mail is received by TSX Trust Company at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof;
- (c) personally attending the Meeting and voting the registered shareholder's Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

## INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise disclosed, no director or executive officer of the Company, or any person who has held such a position since the beginning of the last two completed financial years of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, the appointment of the auditor, ratification of the stock option plan, and for continuation, and ratification of the restricted share unit plan, and for continuation, and as may be set out herein.

## FINANCIAL STATEMENTS

The consolidated audited financial statements of the Company for financial years ended August 31, 2023 and August 31, 2022, the report of the auditor and the Management Discussion and Analysis thereon, were filed under the Company's corporate profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) on December 29, 2023 (the "Financial Statements"). The Financial Statements will be tabled at and will be available at the Meeting.

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company is authorized to issue an unlimited number of Class A Shares ("Common Shares" or "Shares"). The Company's Shares are listed on the Canadian Securities Exchange under stock symbol "AGN". The Shares are also listed on the OTCQB under stock symbol "AGNPF" and on the Frankfurt Stock Exchange under stock symbol "AGW0".

The Company has fixed May 21, 2024 as the record date (the "Record Date") for the determination of persons entitled to receive notice of the Meeting.

Effective on March 3, 2023, the Company split its issued and outstanding Shares on a four-new-for-one-old basis. Each shareholder at March 3, 2023 received three additional Shares for each Share held on such date.

Only shareholders of record at the close of business on May 21, 2024 Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Shares voted at the Meeting.

As of May 21, 2024 Record Date, there were 21,840,779 Shares issued and outstanding.

There are no other authorized classes of shares and no other shares issued or outstanding of any class. The Shares are the only Shares entitled to be voted at the Meeting, and holders of the Shares are entitled to one vote for each Share held.

To the knowledge of the directors and executive officers of the Company, except as set forth below, there are no persons or corporations that beneficially own, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company at May 21, 2024 record date:

Shareholder Name <sup>(1)</sup>	Number of Common Shares Held	Percentage of Issued Common Shares
AlphaNorth Asset Management	4,502,880	20.61%

Note:

- (1) AlphaNorth Asset Management is a Toronto-based investment manager. The above information has been obtained by the Company from Alternative Monthly Reports filed under the Company’s SEDAR+ corporate profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### ELECTION OF DIRECTORS

There are currently five (5) members on the Company’s board of directors. The Board has determined that five (5) directors are to be elected to the Board at the Meeting.

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director’s office is vacated earlier in accordance with the provisions of the *Business Corporations Act* (British Columbia) (the “BCA”), each director elected will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

#### Advance Notice Provision

The Company’s Articles contain advance notice provisions (the “**Advance Notice Provision**”). The Advance Notice Provision provides for advance notice to the Company in circumstances where nominations of persons for election to the Board are made by shareholders of the Company other than pursuant to (i) a requisition of a meeting made pursuant to the provisions of the BCA or (ii) a shareholder proposal made pursuant to the provisions of the BCA.

The purpose of the Advance Notice Provision is to foster a variety of interests of the shareholders and the Company by ensuring that all shareholders - including those participating in a meeting by proxy rather than in person receive adequate notice of the nominations to be considered at a meeting and can thereby exercise their voting rights in an informed manner. Among other things, the Advance Notice Provision fixes a deadline by which holders of Common Shares must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the minimum information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

The Advance Notice Provision also requires all proposed director nominees to deliver a written representation and agreement that such candidate for nomination, if elected as a director of the Company, will comply with all applicable corporate governance, conflict of interest, confidentiality, share ownership, majority voting and insider trading policies and other policies and guidelines of the Company applicable to directors and in effect during such person’s term in office as a director.

The foregoing is merely a summary of the Advance Notice Provision, is not comprehensive and is qualified by the full text of such provision which is available under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

The following table sets out the names of management’s five (5) nominees for election as directors, offices and positions held within the Company, the period of time during which each has been a director of the Company and the number of Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date hereof. Effective on March 3, 2023, the Company split its issued and outstanding Shares on a four-new-for-one-old basis. Each shareholder at March 3, 2023 received three additional Shares for each Share held on such date.

Name Province or State & Country of Residence	Present Office and Date First Appointed a Director	Principal Occupation <sup>(1)</sup> During the Past Five Years	Number of Shares Owned <sup>(1)</sup>
<b>Harry J.F. Bloomfield</b> <sup>(7)(8)(9)</sup> Quebec, Canada Chairman and Director	Chairman since September 7, 2021  Director since September 7, 2021	Lawyer at Bloomfield & Avocats; Business Manager and Philanthropist with the Eldee Foundation.  Refer to <b>Director Biographies</b> below.	431,332 <sup>(2)</sup>
<b>Christopher Moreau</b> Manitoba Canada Chief Executive Officer and Director	Chief Executive Officer since March 1, 2018  Director since May 13, 2020	Director of First Responder Technologies Inc. since February, 2019; former President and CEO of Nash Pharmaceuticals Inc.; former President, CEO and board member of Miraculins Inc. from 2012 to 2016.  Refer to <b>Director Biographies</b> below.	1,069,502 <sup>(3)</sup>
<b>Raj Attariwala</b> <sup>(7)(8)(9)</sup> British Columbia Canada Director	Director since October 26, 2015	Radiologist at Aim Medical Imaging Inc. since 2009.  Refer to <b>Director Biographies</b> below.	266,448 <sup>(4)</sup>
<b>Mark Williams</b> Manitoba, Canada Director	Director since September 16, 2021	VP Research Diamedica 2011 – 2016, VP Research & Clinical Affairs Cerebra 2016 – 2018; Chief Science Officer of Algernon October 2018 to March 2021. CSO and Director of Marvel Biosciences Corp. since July 2021.  Refer to <b>Director Biographies</b> below.	169,800 <sup>(5)</sup>
<b>Howard Gutman</b> <sup>(7)(8)(9)</sup> Florida, USA Director	Director since February 28, 2022	Consultant/Retired Ambassador and lawyer  Refer to <b>Director Biographies</b> below.	173,180 <sup>(6)</sup>

Notes:

- (1) Number of Shares beneficially owned, directly or indirectly, or over which each exercised control or direction, as at the date hereof.
- (2) 48,000 common shares are held indirectly under registered holder, Eldee Foundation, a private company owned and controlled by Harry J.F. Bloomfield. Mr. Bloomfield holds a total of 100,000 incentive stock options, to purchase a total of up to 100,000 Shares, exercisable at prices ranging between \$1.03 per Share and \$1.35 per Share, expiring between January 1, 2027 and August 31, 2027. Mr. Bloomfield also holds 33,332 warrants, each warrant exercisable at \$0.52 per Share, expiring on November 5, 2024 and also holds 24,000 warrants under registered holder, Eldee Foundation, each warrant at an exercise price of \$0.52 per Share, expiring on November 5, 2024.
- (3) Mr. Moreau holds 278,000 incentive stock options, to purchase a total of up to 278,000 Shares, exercisable at prices ranging between \$1.03 per Share and \$12.00 per Share, expiring between February 13, 2025 and August 31, 2027 and August 31, 2027. Mr. Moreau also holds 569,434 warrants, each warrant at an exercise price of \$0.52 per Share, expiring on November 5, 2024.
- (4) Mr. Attariwala holds a total of 62,000 incentive stock options, to purchase a total of up to 62,000 Shares, exercisable at prices ranging between \$1.03 per Share and \$7.25 per Share, expiring between February 13, 2025 and August 31, 2027. Mr. Attariwala also holds 52,080 warrants, each warrant at an exercise price of \$0.52 per Share, expiring on November 5, 2024.
- (5) Mr. Williams holds 46,000 incentive stock options, to purchase a total of up to 46,000 Shares, exercisable at prices ranging between \$1.03 per Share and \$1.35 per Share, expiring between January 1, 2027 and August 31, 2027.
- (6) Mr. Gutman holds a total of 40,000 incentive stock options, to purchase up to a total of up to 40,000 Shares, exercisable at prices ranging between \$1.35 per Share and \$7.25 per Share, expiring between August 17, 2025 and August 31, 2027.



- (7) Member of the Audit Committee.
- (8) Member of the Compensation Committee.
- (9) Member of the Nominating and Corporate Governance Committee.

None of the proposed nominees for election as a director of the Company are proposed for election pursuant to any arrangement or understanding between the nominee and any other person, except the directors and senior officers of the Company acting solely in such capacity.

A shareholder can vote for all of the above nominees, vote for some of the above nominees and withhold for other of the above nominees, or withhold for all of the above nominees. **Unless otherwise instructed, the named proxyholders will vote FOR the election of each of the proposed nominees set forth above as directors of the Company. At the Meeting the above persons will be nominated for election as director as well as any person nominated pursuant to the Advance Notice Provision set out above. Only persons nominated by management pursuant to this Circular or pursuant to the Advance Notice Provision will be considered valid director nominees eligible for election at the Meeting.**

## **Director Biographies**

### **Harry J.F. Bloomfield, Chairman and Director**

Harry J. F. Bloomfield, K.C., M.B.A., is a lawyer, business manager and philanthropist.

Mr. Bloomfield began his business career, 1971 to 1976, on Wall Street with the J. Henry Schroder Banking Corporation in New York. From 1981 to 1987 Mr. Bloomfield served as a Member of the Commission des Valeurs Mobilières du Québec, now called the Autorité des Marchés Financiers – equivalent of the U.S. Securities and Exchange Commission (the SEC). In 1987 Mr. Bloomfield was named by the government of Prime Minister Brian Mulroney to the board of directors of the Federal Business Development Bank, now called the BDC (Business Development Bank of Canada) and served for 11 years, 7 of which were as Chairman of the audit committee.

In 1994, in partnership with Bank Julius Baer of Zurich, Switzerland, Mr. Bloomfield formed and was the first Chairman of BJB Global Investments, Ltd., a Canadian wealth-management advisory firm with headquarters in Montreal. In 1998, Mr. Bloomfield became the President of the Canadian Branch of the International Law Association. Mr. Bloomfield has served on numerous boards, public and private, including Heller Financial Canada (now part of GE Capital); Banco Comercial Português, the Canadian subsidiary of Sottomayor Bank of Portugal; British Controlled Oilfields, Genoil Inc., Balkan Resources Inc., and Wi2Wi Inc. In May 2011, Mr. Bloomfield was elected to the board of directors of Miraculins Inc. (TSX-V:MOM), a medical diagnostic company, and in April 2012 he was elected the board's Chairman.

Born in Montreal, Quebec, Mr. Bloomfield received a Bachelor of Arts degree from McGill University in 1965, a Bachelor of Civil Law degree from Université de Montréal in 1968, and joined the Bar of Quebec in 1969. Bloomfield received a Master of Business Administration from the Harvard Graduate School of Business Administration in 1971. He was appointed Queen's Counsel in 1991.

### **Christopher Moreau, Chief Executive Officer and Director**

Christopher Moreau is the CEO of Algernon Pharmaceuticals Inc. and a member of the company's board of directors. With over 30 years of executive management experience, including 15 years in CEO roles, he has proven achievements in operations management, acquisitions, licensing and integration.

Mr. Moreau also has significant experience managing biotechnology research programs, and a deep expertise in business development and capital markets, having raised more than \$50 million in equity financings. He is a highly skilled communicator and sought-after speaker and has been featured on numerous business television and social media interviews, and is a returning guest lecturer at the University of East London, Pharmacology program.

### **Raj Attariwala, Director**

Raj Attariwala, M.D., Ph. D, is a Vancouver based dual board certified Radiologist and Nuclear Medicine physician certified in both Canada and the United States. Dr. Attariwala is a practicing physician in British Columbia and is the owner of AIM medical imaging in Vancouver. He has pioneered advances in the field of whole body medical imaging through his work and authored numerous publications. Dr. Attariwala has also presented at many International Medical Conferences on whole body imaging and cancer detection. Dr. Attariwala has also served as a director of Cannabix Technologies Inc. since 2014. Dr. Attariwala founded Aim Medical Imaging in 2009 with unique hardware and software designed to perform whole body MRI and whose pioneering efforts have been recognized by worldwide leaders in the MRI field.

Dr. Attariwala received his formal medical training at University of British Columbia with periods of specialized medical training at Memorial Sloan Kettering Cancer Centre (New York), UCLA and USC, and holds a PhD in Biomedical Engineering from Northwestern University (Evanston, IL).

#### **Mark Williams, Director**

Dr. Mark Williams was a co-founder of the Algernon Pharmaceuticals drug repurposing program and was actively engaged as the Company's Chief Scientific Officer until March 1st, 2021. Dr. Williams has over 15 years of experience in drug and medical device development and has authored multiple patents. Dr. Williams has specific expertise and skill sets in taking companies from the discovery process to Phase 2 trials including cGMP manufacturing and toxicology.

Dr. Williams holds a PhD in Microbiology from the University of Alberta, and an MBA from the University of Manitoba.

#### **Howard Gutman, Director**

Ambassador (Rtd) Howard Gutman acted, during his distinguished career over the past three decades, as a leading American and International lawyer, and served in a number of high-profile appointments for the government of the United States, including Ambassador to Belgium, and Special Assistant to the Director of the FBI for Counter-Intelligence and Counter-Terrorism. During his legal career he served as a United States Supreme Court and federal appellate court law clerk prior to entering private practice in Washington, DC., where in addition to legal practice, he served as advisor to candidates for President, Governor and the U.S. Senate.

#### **Penalties and Sanctions**

As at the date of this Circular and within the 10 years before the date of this Circular, no proposed director is or has been a director or executive officer of any company (including the Company), that while that person was acting in that capacity:

- (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,
- (iii) or within a year of the proposed director ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (iv) has within 10 years before the date of this Circular become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed directors.

#### **APPOINTMENT OF AUDITOR**

Smythe LLP, Chartered Professional Accountants, 1700 – 475 Howe Street, Vancouver, British Columbia, Canada, V6C 2B3 will be nominated at the Meeting for re-appointment as auditor of the Company.

**The Board recommends that you vote in favour of appointment of Smythe LLP, Chartered Professional Accountants. Unless otherwise instructed, at the Meeting the proxyholders named in the Company's form of Proxy or Voting Instruction Form will vote FOR the appointment of Smythe LLP, Chartered Professional Accountants.**

#### **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR**

National Instrument 52-110 *Audit Committees* ("NI 52-110") of the Canadian securities administrators requires the Company's Audit Committee to meet certain requirements. It also requires the Company to disclose certain information regarding the Audit Committee. That information is disclosed below.

#### **Overview**

The Audit Committee of the Board is principally responsible for

- recommending to the Board the external auditor to be nominated for election by the Company's shareholders at each annual general meeting and negotiating the compensation of such external auditor.
- overseeing the work of the external auditor, including the resolution of disagreements between the auditor and

management regarding the Company’s financial reporting.

- pre-approving all non-audit services to be provided to the Company’s, by the auditor.
- reviewing the Company’s annual and interim financial statements, management’s discussion & analysis (MD&A) and press releases regarding earnings before they are reviewed and approved by the Board and publicly disseminated by the Company.
- reviewing the Company’s financial reporting procedures and internal controls to ensure adequate procedures are in place for the Company’s public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph.

The Company’s auditor reports directly to the Audit Committee.

### **Audit Committee Charter**

The Board has adopted a Charter for the Audit Committee, which sets out the Audit Committee’s mandate, organization, powers and responsibilities. The Audit Committee Charter as amended by the Board on October 12, 2021, is attached as Schedule A to this Circular.

### **Composition of the Audit Committee**

The Company’s governing corporate legislation requires the Company to have an Audit Committee composed of a minimum of three directors, a majority of whom are not officers or employees of the Company.

The current members of the Audit Committee at August 31, 2023 is set out in the table below, and whether they are “independent” and “financially literate”.

<b>Name of Member</b>	<b>Independent <sup>(1)</sup></b>	<b>Financially Literate <sup>(2)</sup></b>
Harry J.F. Bloomfield (Chair)	Yes	Yes
Raj Attariwala	Yes	Yes
Howard Gutman	Yes	Yes

Notes:

- (1) To be considered independent, a member of the Committee must not have any direct or indirect ‘material relationship’ with the Company. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment.
- (2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

### **Relevant Education and Experience**

The education and experience of each member of the Audit Committee relevant to the performance of his responsibilities as an Audit Committee member and, in particular, any education or experience that would provide the member with:

- (1) an understanding of the accounting principles used by the Company to prepare its financial statements;
- (2) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
- (3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities; and
- (4) an understanding of internal controls and procedures for financial reporting.

### **Complaints**

If a particular individual, being a Shareholder or an Insider of the Company (an “**applicable individual**”), has any concerns about accounting, audit, internal controls or financial reporting matters which they consider to be questionable, incorrect, misleading or fraudulent, the applicable individual is urged to come forward with any such information, complaints or



concerns, without regard to the position of the person or persons responsible for the subject matter of the relevant complaint or concern.

The applicable individual may report their concern in writing and forward it to the Chairman of the Audit Committee in a sealed envelope labelled “*To be opened by the Audit Committee only*”. Further, if the applicable individual wishes to discuss any matter with the Audit Committee, this request should be indicated in the submission. Any such envelopes received by the Company will be forwarded promptly and unopened to the Chair of the Audit Committee. Promptly following the receipt of any complaints submitted to it, the Audit Committee will investigate each complaint and take appropriate corrective actions.

The Audit Committee will retain as part of its records, any complaints or concerns for a period of no less than seven years. The Audit Committee will keep a written record of all such reports or inquiries and make quarterly reports on any ongoing investigation which will include steps taken to satisfactorily address each complaint.

The Audit Committee did not receive any complaints during the last completed financial year August 31, 2023.

### **Audit Committee Oversight**

Since the commencement of the Company’s most recently completed financial year August 31, 2023, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

### **Reliance on Exemptions in NI 52-110 regarding *De Minimis* Non-audit Services or on a Regulatory Order Generally**

Since the commencement of the Company’s most recently completed financial year August 31, 2023, the Company has not relied on:

- (1) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110 (which exempts all non-audit services provided by the Company’s auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor’s annual fees charged to the Company, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year’s audit), or
- (2) an exemption from NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in section 4.1 – *Duties and Responsibilities* of the Audit Committee Charter.

### **External Auditor Service Fees (By Category)**

The Audit Committee has reviewed the nature and amount of the non-audit services provided by the Company’s current auditor Smythe LLP, Chartered Professional Accountants, to ensure auditor independence during financial years ended August 31, 2023 and August 31, 2022. Fees incurred for audit and non-audit services in the last two fiscal years are outlined in the following table.

<b>Financial Year Ending</b>	<b>Audit Fees <sup>(1)</sup></b>	<b>Audit Related Fees <sup>(2)</sup></b>	<b>Tax Fees <sup>(3)</sup></b>	<b>All Other Fees <sup>(4)</sup></b>	<b>Total</b>
August 31, 2023	\$43,000	\$56,500	Nil	\$9,000	\$108,500
August 31, 2022	\$41,000	\$26,000	Nil	\$20,000	\$87,000

Notes:

- (1) The aggregate fees billed by the auditor for audit fee.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not disclosed in the “Audit Fees” column.
- (3) The aggregate fees billed for professional services rendered by the Company’s auditor for tax compliance, tax advice and tax planning.

(4) The aggregate fees billed for professional services other than those listed in the first three columns.

### **Exemption**

The Company is exempt from the requirements of Part 3 *Composition of the Audit Committee* and Part 5 *Reporting Obligations* of NI 52-110.

## **CORPORATE GOVERNANCE**

Corporate governance refers to the policies and structure of the board of directors of a Company, whose members are elected by and are accountable to the shareholders of the Company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices; as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making. The Company does not have a corporate governance committee.

On October 12, 2021, the board of directors (the “Board”) adopted a Nominating and Corporate Governance Committee Charter. A copy of the Nominating and Corporate Governance Committee Charter can be accessed on the Company’s website at [www.algernonpharmaceuticals.com](http://www.algernonpharmaceuticals.com). The current members of the Nominating and Corporate Governance Committee are: Harry J.F. Bloomfield (Chair), Howard Gutman and Raj Attariwala.

### **Board of Directors**

The Company’s current board of directors consists of: Harry J.F. Bloomfield, Raj Attariwala, Mark Williams and Howard Gutman are independent directors. Christopher Moreau, the Chief Executive Officer, is not independent because he is a member of management.

The Board has responsibility for the stewardship of the Company including responsibility for strategic planning, identification of the principal risks of the Company’s business and implementation of appropriate systems to manage risks, succession planning (including appointing, training and monitoring senior management), communications with investors and the financial community and the integrity of the Company’s internal control and management information systems.

This Board sets long term goals and objectives for the Company and formulates the plans and strategies necessary to achieve those objectives and to supervise senior management in their implementation. The Board delegates the responsibility for managing the day-to-day affairs of the Company to senior management but retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business. The Board is responsible for protecting Shareholder’s interests and ensuring that the incentives of the Shareholders and of management are aligned.

As part of its ongoing review of business operations, the Board reviews, as frequently as required, the principal risks inherent in the Company’s business including financial risks, through periodic reports from management of such risks, and assesses the systems established to manage those risks. Directly and through the Audit Committee, the Board also assesses the integrity of internal control over financial reporting and management information systems.

In addition to those matters that must, by law, be approved by the Board, the Board is required to approve any material dispositions, acquisitions and investments outside the ordinary course of business, long-term strategy, and organizational development plans. Management of the Company is authorized to act without the Board’s approval, on all ordinary course matters relating to the Company’s business.

The Board also monitors the Company’s compliance with timely disclosure obligations and reviews material disclosure documents prior to distribution.

The Board is responsible for selecting the CEO and other senior management and for monitoring their performance.

The Board considers that the following directors are “independent” in that they are independent and free from any interest and any business or other relationship which could or could reasonably be perceived to, materially interfere with the director’s ability to act with the best interests of the Company, other than interests and relationships arising from shareholding:

## Directorships

Certain of the directors of the Company are presently a director of one or more other public companies, as follows:

Director	Name of Reporting Issuer	Exchange Listed
Raj Attariwala	Cannabix Technologies Inc.	CSE
Mark Williams	Marvel Biosciences Corp.	TSX-V

## Orientation and Continuing Education

The Board ensures that all new directors receive a comprehensive orientation regarding their role as a member of the Board, its committees and its directors, and the nature and operation of the Company. As each director brings a different skill set and professional background, the Board determines what orientation to the nature and operations of the Company's business will be necessary and relevant. New directors are provided with appropriate orientation through a series of meetings, telephone calls and other correspondence.

## Ethical Business Conduct

On October 12, 2021, the "Board") adopted a Code of Business Conduct and Ethics. A copy of the Code of Business Conduct and Ethics was filed under the Company's SEDAR+ corporate profile at [www.sedarplus.ca](http://www.sedarplus.ca) on January 24, 2022 and can also be accessed on the Company's website at [www.algermonpharmaceuticals.com](http://www.algermonpharmaceuticals.com).

The Board seeks to foster a culture of ethical conduct by striving to ensure the Company carries out its business in line with high business and moral standards and applicable legal and financial requirements. In that regard, the Board encourages management to consult with legal and financial advisors to ensure the Company is meeting those requirements.

- Is cognizant of the Company's timely disclosure obligations and reviews material disclosure documents such as financial statements, management's discussion & analysis (MD&A) and press releases prior to distribution.
- Relies on its Audit Committee to annually review the systems of internal financial control and discuss such matters with the Company's external auditor.
- Actively monitors the Company's compliance with the Board's directives and ensures that all material transactions are thoroughly reviewed and authorized by the Board before being undertaken by management.

The Board must also comply with the conflict of interest provisions of the *Business Corporations Act* (British Columbia), as well as the relevant securities regulatory instruments, to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

## Nomination of Directors

As referenced above on October 12, 2021, the Board adopted a Nominating and Corporate Governance Committee Charter. A copy of the Nominating and Corporate Governance Committee Charter can be accessed on the Company's website at [www.algermonpharmaceuticals.com](http://www.algermonpharmaceuticals.com). The current members of the Nominating and Corporate Governance Committee are: Harry J.F. Bloomfield (Chair), Howard Gutman and Raj Attariwala.

The functions for the nomination of directors is currently performed by this Committee. This Committee is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual general meeting of the shareholders.

The criteria for selecting new directors reflect the requirements of the listing standards of the Canadian Securities Exchange (or such other exchange or self-regulatory organization on which the Company's shares are listed for trading) with respect to independence and the following factors:

- (a) the appropriate size of the Company's Board;
- (b) the needs of the Company with respect to the particular talents and experience of its directors;

- (c) personal and professional integrity of the candidate;
- (d) level of education and/or business experience;
- (e) broad-based business acumen;
- (f) the level of understanding of the Company's business and the industry in which it operates and other industries relevant to the Company's business;
- (g) the ability and willingness to commit adequate time to Board and committee matters;
- (h) the fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company;
- (i) the ability to think strategically and a willingness to share ideas; and
- (j) diversity of experiences, expertise and background.

Once a decision has been made to add or replace a director, the task of identifying new candidates will fall on the Company's Board. If a candidate looks promising, the Board will conduct due diligence on the candidate and interview the candidate and if the results are satisfactory, the candidate is invited to join the Board.

#### **Other Board Committees**

The Board has no committees other than the Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee.

#### **Assessments**

The Board has not established a process to regularly assess the Board and its Audit Committee with respect to their effectiveness and contribution. Nevertheless, their effectiveness is subjectively measured on an ongoing basis by each director based on each director's assessment of the performance of the Board, its committee or the individual directors compared to their expectation of performance. In doing so, the contributions of an individual director are informally monitored by the other Board members, bearing in mind the business strengths of the individual and the original purpose of nominating that individual to the Board.

### **STATEMENT OF EXECUTIVE COMPENSATION**

The below information should be read in conjunction with the consolidated Annual Financial Statements of the Company for the financial years ended August 31, 2023 and August 31, 2022 available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). All monetary amounts herein are expressed in Canadian Dollars ("\$\$") unless otherwise stated.

#### **GENERAL**

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 COMPENSATION**

During financial year ended August 31, 2023, based on the definition above, the NEOs of the Company were: Harry J.F. Bloomfield, Chairman and director, Christopher Moreau, Chief Executive Officer and director, Christopher Bryan, Vice President of Research and Operations and James Kinley, Chief Financial Officer and Corporate Secretary. The directors of the Company who were not NEOs during financial year ended August 31, 2023 were: Mark Williams, Raj Attariwala and Howard Gutman.

During financial year ended August 31, 2022, based on the definition above, the NEOs of the Company were: Harry J.F. Bloomfield, Chairman and director, Christopher Moreau, Chief Executive Officer and director, Michael Sadhra, former Chief Financial Officer and former Corporate Secretary, Christopher Bryan, Vice President of Research and Operations and James Kinley, Chief Financial Officer and Corporate Secretary and former Director. The directors of the Company who were not NEOs during financial year ended August 31, 2022 were: Michael Sadhra, David Levine, Mark Williams, Raj Attariwala and Howard Gutman.

Effective September 7, 2021: Harry J.F. Bloomfield was appointed Chairman and a director.

Effective September 16, 2021:

Michael Sadhra served as Chief Financial Officer from October 16, 2015 to September 16, 2021 and served as Corporate Secretary from January 13, 2020 to September 16, 2021. Mr. Sadhra continued to act as Chief Financial Officer until November 30, 2021.

Michael Sadhra served as a director from October 26, 2015 to September 16, 2021.

Mark Williams was appointed a director.

Effective December 1, 2021: James Kinley was appointed Chief Financial Officer.

Effective February 28, 2022:

David Levine did not stand for re-election as a director and ceased to be a director on February 28, 2022.

Howard Gutman was appointed a director on February 28, 2022.

James Kinley was appointed Corporate Secretary on February 28, 2022.

Effective March 1, 2022: Christopher Bryan was appointed Vice-President of Research and Operations.

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

The following table of compensation, excluding options and compensation securities, provides a summary of the compensation paid by the Company to NEOs and directors who were not NEOs of the Company for the two completed financial years ended August 31, 2023 and August 31, 2022. Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**” in this Information Circular.



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 (\$)
Harry J.F. Bloomfield Chairman and Director	2023	36,501	Nil	Nil	Nil	150,672	187,173
	2022	36,100	Nil	Nil	Nil	69,920	106,020
Christopher Moreau CEO and Director	2023	220,000	Nil	Nil	Nil	324,302	544,302
	2022	220,000	198,000	Nil	Nil	158,449	576,449
Christopher Bryan Vice President of Research and Operations	2023	130,000	Nil	Nil	Nil	170,099	300,099
	2022	130,000	65,000	Nil	Nil	62,541	257,541
James Kinley CFO and Corporate Secretary	2023	120,000	Nil	Nil	Nil	170,099	290,099
	2022	90,000	17,500	Nil	Nil	62,541	170,041
Michael Sadhra Former CFO, Former Corporate Secretary and Former Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	75,000	Nil	Nil	Nil	Nil	75,000
Mark Williams Director	2023	29,000	Nil	Nil	Nil	57,937	86,937
	2022	19,500	Nil	Nil	Nil	34,371	53,871
Raj Attariwala Director	2023	24,000	Nil	Nil	Nil	57,937	81,937
	2022	17,000	Nil	Nil	Nil	34,371	51,371
Howard Gutman Director	2023	23,835	Nil	Nil	Nil	69,597	93,432
	2022	14,116	Nil	Nil	Nil	23,320	37,436
David Levine Former Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	3,000	Nil	Nil	Nil	22,711	25,711

Other than as set forth above, no NEO or Director of the Company has, during completed financial year ended August 31, 2023, 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 or Directors for services as consultants or expert.

## RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel are considered to be those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes senior officers and directors of the Company.

Related party transactions to key management personnel are as follows:

Years ended August 31	2023	2022
Short-term benefits <sup>(1)</sup>	\$ 578,335	\$ 885,216
Consulting fees - other <sup>(2)</sup>	8,500	2,500
Share-based payment <sup>(3)</sup>	1,000,643	468,224
Rent <sup>(4)</sup>	-	9,000
	\$ 1,587,478	\$ 1,364,940

Notes:

- (1) Salaries and consulting fees paid to officers and directors fees to independent directors:
  - \$220,000 (2022 - \$418,000, including \$198,000 pertaining to bonuses) to Chief Executive Officer;
  - \$nil (2022 - \$75,000, including \$45,000 pertaining to a severance payment) to the Chief Financial Officer who resigned as Chief Financial Officer effective December 1, 2021;
  - \$120,000 (2022 - \$107,500, including \$17,500 pertaining to bonuses) to Chief Financial Officer, who was appointed effective December 1, 2021;
  - \$130,000 (2022 - \$195,000, including \$65,000 pertaining to bonuses) to the Vice President Research and Operations;
  - \$36,501 (2022 - \$36,100) to the Chairman and independent director, who was appointed effective September 7, 2022;
  - \$24,000 (2022 - \$19,500) to an independent director, who was appointed effective September 22, 2022;
  - \$24,000 (2022 - \$17,000) to an independent director;
  - \$23,835 (2022 - \$14,116) to an independent director, who was elected to the board of directors on February 28, 2022.
  - \$nil (2022 - \$3,000) to an independent director, who ceased to be a director of the Company on February 28, 2022.
- (2) For the year ended August 31, 2023, \$3,500 (2022 - \$2,500) was paid to a partnership where the Chairman and independent director was a partner for corporate secretarial services. For the year ended August 31, 2023, \$5,000 (2022 - \$Nil) was paid to an independent director pertaining to scientific consulting services provided to the Company.
- (3) Share-based payments for the year ended August 31, 2023 were non-cash items that consisted of the fair value of the unvested stock options that were granted to key management personnel including members of the Board of Directors on January 1, 2022 and August 31, 2022 and the fair value of unvested RSUs that were granted to key management personnel including members of the Board of Directors on August 31, 2022. Share-based payments for the year ended August 31, 2022 were non-cash items that consisted of the fair value of the stock options that were granted to key management personnel including members of the Board of Directors on January 1, 2022 and August 31, 2022 and the fair value of RSUs that were granted to key management personnel including members of the Board of Directors, but unvested during the year ended August 31, 2022.
- (4) Rent consists of \$Nil (2022 - \$9,000) paid for corporate office space to a company where a senior officer until November 30, 2021 and director until September 22, 2021 is a principal. Beginning December 1, 2021, this former senior officer and director is no longer a related party of the Company.

Accounts payable and accrued liabilities include the following amounts due to related parties:

As at	August 31, 2023	August 31, 2022
Key management personnel – bonuses	\$ -	\$ 268,000
Key management personnel – directors fee	15,031	5,244
Key management personnel – consulting fees	1,288	788
Total	\$ 16,319	\$ 274,032

## **Stock Options and Other Compensation Securities**

### **A. 10% “rolling” Stock Option Plan (Option-Based Awards)**

The Company has a 10% “rolling” stock option plan dated for reference September 11, 2015, which was approved for adoption by shareholders at the Company’s annual general meeting held on April 10, 2017 (the “**Stock Option Plan**”). A copy of the Stock Option Plan was SEDAR+ filed under the Company’s SEDAR+ corporate website at [www.sedarplus.ca](http://www.sedarplus.ca) on January 28, 2016.

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 (“**Options**”), to acquire an interest in the Company and benefit from the Company’s growth. An Option is an incentive share purchase option that entitles the holder to purchase Shares of the Company.

There are currently 775,000 outstanding Options at the date of this Information Circular.

Under the Stock Option Plan, the maximum number of common shares reserved for issuance, including 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 Options, a number of Shares equivalent to the number of Options exercised, terminated, cancelled or expired would become available for reserve for issuance in respect of future Option grants.

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

- (a) The number of Shares which may be the subject of Options on a yearly basis to any one person cannot exceed 5% of the number of issued and outstanding Shares at the time of the grant;
- (b) 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 Shares on the date of the grant;
- (c) The directors of the Company may, by resolution, determine the time period during which any 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 Shares may be listed;
- (d) All 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) 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 an 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 Options and the exercise and method of exercise of Options granted under the Stock Option Plan.

#### **Amendment to the Stock Option Plan**

On May 21, 2024, the Board approved an amendment to alter Section 11.1 (Termination of the Plan) of the Stock Option Plan, by removing the automatic termination date of the Option Plan to be on the tenth anniversary of the date of the CSE’s acceptance of the Stock Option Plan. As amended, the Stock Option Plan would allow the Board to amend, suspend, or terminate the Stock Option Plan, providing greater flexibility to the Company in respect of continuation of the Stock Option Plan.

The following Section 11.1 of the Stock Option Plan was removed in its entirety:

11.1 Termination of Plan

Subject to any necessary Regulatory Approvals, the Committee may terminate or suspend the Plan. Unless earlier terminated as provided in this section 11, the Plan shall terminate on, and no more Options shall be granted under the Plan after, the tenth anniversary of the date of the Exchange's acceptance of the Plan.

Section 11.1 of the Stock Option Plan was replaced with the following:

11.1 Termination of Plan

The Board may amend, suspend or terminate the Plan or any portion thereof at any time in accordance with applicable law, and subject to any required regulatory approval.

The Stock Option Plan, with proposed amendment inserted, is referred to herein as the “**Proposed Amended Stock Option Plan**”.

The Proposed Amended Stock Option Plan is an “evergreen plan” (also known as a rolling plan) under the policies of the Canadian Securities Exchange (the “CSE”). In accordance with the policies of the CSE, an issuer that has a rolling stock option plan must have its shareholders approve the plan within three years after institution and within every three years thereafter. Accordingly, the Proposed Amended Stock Option Plan shall be approved by the Shareholders at the Meeting and re-approved by the Shareholders no later than July 10, 2027.

Refer to “**PARTICULARS OF MATTERS TO BE ACTED UPON – A. Approval of Amended Stock Option Plan, and for Continuation**”, below.

A copy of the Proposed Amended Stock Option Plan is attached as Schedule B to this Information Circular.

**B. 10% “rolling” Restricted Share Unit Plan (Share-Based Awards)**

The Company adopted a 10% “rolling” Restricted Share Unit Plan on July 23, 2020 (the “**RSU Plan**”). The RSU Plan allows the Company to grant restricted share units (“**RSUs**”) to directors, officer, employees and consultants of the Company (“**Eligible Persons**”).

An RSU is a bookkeeping entry equivalent in value to a 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 Share (or an amount of cash equal to the market value thereof).

There are currently 505,000 outstanding RSUs at the date of this Information Circular.

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 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 increasing the ability to attract, retain and motivate Eligible Persons.

Similar to the Stock Option Plan, the maximum number of 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**”), 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 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 an 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 an 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 an 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 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 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 RSU 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 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 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 Shares in settlement of RSUs:
  - (i) the Company may arrange for such number of the 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 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 the RSU Plan;
  - (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 the Participant's 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 the Participant's 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 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 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.

#### **Amendment to the RSU Plan**

On May 21, 2024, the Board approved an amendment to alter Section 2.1(3) (Shares Reserved) of the RSU Plan, by removing the words "less any Common Shares reserved for issuance under all other Share Compensation Arrangements". As amended, the RSU Plan would allow that the maximum number of Common Shares made available for issuance pursuant to the RSU Plan as determined from time to time by the Board, shall not exceed 20% of the Common Shares issued and outstanding from time to time, less any Common Shares reserved for issuance under all other share compensation arrangements (including the Share Option Plan), subject to adjustments as provided in the RSU Plan. The RSU Plan is a "rolling plan" and therefore when RSUs are cancelled (whether or not upon payment with respect to vested RSUs) or terminated, Common Shares shall automatically be available for issuance pursuant to the RSU Plan.

The following Section 2.1(3) of the Restricted Share Unit Plan was removed in its entirety:

(3) The maximum number of Common Shares made available for issuance pursuant to the Plan shall be determined from time to time by the Board, but in any case, shall not exceed 10% of the Common Shares issued and outstanding from time to time, less any Common Shares reserved for issuance under all other Share Compensation Arrangements, subject to adjustments as provided in the Plan.

Section 2.1(3) of the Restricted Share Unit Plan was replaced with the following:

(3) The maximum number of Common Shares made available for issuance pursuant to the Plan shall be determined from time to time by the Board, but in any case, shall not exceed 10% of the Common Shares issued and outstanding from time to time, subject to adjustments as provided in the Plan.

The Restricted Share Unit Plan, with the proposed amendment inserted, is referred to herein as the "**Proposed Amended Restricted Share Unit Plan**".

The Proposed Amended Restricted Share Unit Plan is an "evergreen plan" (also known as a rolling plan) under the policies of the Canadian Securities Exchange (the "CSE"). In accordance with the policies of the CSE, an issuer that has a rolling restricted share unit plan must have its shareholders approve the plan within three years after institution and within every three years thereafter. Accordingly, the Proposed Amended Restricted Share Unit Plan shall be approved by the Shareholders at the Meeting and re-approved by the Shareholders no later than July 10, 2027.

Refer to "**PARTICULARS OF MATTERS TO BE ACTED UPON – B. Approval of Amended Restricted Share Unit Plan, and for Continuation**", below.

A copy of the Proposed Amended Restricted Share Unit Plan is attached as Schedule C to this Information Circular.

## **Outstanding Compensation Securities**

### **Stock Options and Other Compensation Securities**

There were no compensation securities granted or issued to each NEO and Director of the Company for the completed financial year ended August 31, 2023. Effective on March 3, 2023, the Company completed a forward split of its Class A common shares at a share ratio of 4:1.

- (1) Mr. Moreau had a total of 278,000 stock options (278,000 underlying common shares – 1.76% of class) and 240,000 RSUs (240,000 underlying common shares – 1.52% of class):
  - 20,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$2.50 per share until February 13, 2025;
  - 50,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$7.25 per share until April 13, 2025;
  - 128,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
  - 80,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
  - 240,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 2/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (2) Dr. Bryan had a total of 104,000 stock options (104,000 underlying common shares – 0.66% of class) and 120,000 RSUs (120,000 underlying common shares – 0.76% of class):
  - 10,000 stock options issued on August 17, 2020, each exercisable into one common share of the Company at a price of \$8.75 per share until August 17, 2025;
  - 54,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
  - 40,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
  - 120,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 2/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (3) Mr. Kinley had a total of 94,000 stock options (94,000 underlying common shares – 0.60% of class) and 120,000 RSUs (120,000 underlying common shares – 0.76% of class):
  - 54,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
  - 40,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
  - 120,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 2/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (4) Mr. Bloomfield had a total of 100,000 stock options (100,000 underlying common shares – 0.63% of class) and 66,667 RSUs (66,667 underlying common shares – 0.42% of class):
  - 40,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
  - 60,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$51.35 per share until August 31, 2027;
  - 100,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 1/3 of the RSUs were settled with the issuance of 33,333 common shares of the Company, 1/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (5) Dr. Williams had a total of 46,000 stock options (46,000 underlying common shares – 0.29% of class) and 26,667 RSUs (26,667 underlying common shares – 0.17% of class):
  - 26,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
  - 20,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;

- 40,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 1/3 of the RSUs were settled with the issuance of 13,333 common shares of the Company, 1/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (6) Dr. Attariwala had a total of 62,000 stock options (62,000 underlying common shares – 0.39% of class) and 26,667 RSUs (26,667 underlying common shares – 0.17% of class):
- 8,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$2.50 per share until February 13, 2025;
  - 8,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$7.25 per share until April 13, 2025;
  - 26,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
  - 20,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
  - 40,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 1/3 of the RSUs were settled with the issuance of 13,333 common shares of the Company, 1/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (7) Mr. Gutman had a total of 48,000 stock options (48,000 underlying common shares – 0.30% of class) and 26,667 RSUs (26,667 underlying common shares – 0.17% of class):
- 8,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$7.25 per share until April 13, 2025;
  - 40,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
  - 40,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 1/3 of the RSUs were settled with the issuance of 13,333 common shares of the Company, 1/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.

***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, 2023:

<b>Name and position</b>	<b>Type of compensation security</b>	<b>Number of underlying securities exercised</b>	<b>Exercise price per security (\$)</b>	<b>Date of exercise</b>	<b>Closing price per security on date of exercise (\$)</b>	<b>Difference Between exercise price and closing price on date of exercise (\$)</b>	<b>Total value on exercise date (\$)</b>
Harry J.F. Bloomfield Chairman and Director	RSUs	33,332	\$0.54	January 1, 2023	\$0.54	N/A	\$17,999
Mark Williams Director	RSUs	13,332	\$0.54	January 1, 2023	\$0.54	N/A	\$7,199
Raj Attariwala Director	RSUs	13,332	\$0.54	January 1, 2023	\$0.54	N/A	\$7,199
Howard Gutman Director	RSUs	13,332	\$0.51	March 5, 2023	\$0.51	N/A	\$6,799

**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.

#### Management Consulting Agreement with Christopher Moreau

The Company entered into a Management Consulting Agreement dated March 1, 2018 with Christopher Moreau (the “**Moreau Agreement**”) whereby Mr. Moreau 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. On September 1, 2020, the Company replaced the Moreau Amended and Restated Agreement with an Executive Employment Agreement with Mr. Moreau at the same rate of CAD\$18,333 per month. On May 31, 2023, the Company and Mr. Moreau terminated the Executive Employment Agreement and entered into a Management Consulting Agreement dated June 1, 2023 at the same rate of CAD\$18,333 per month.

#### Agreement with Dr. Christopher Bryan

The Company entered into an Agreement dated March 1, 2021 with Dr. Christopher Bryan whereby Dr. Bryan was retained to act as the Company’s Vice President of Research and Operations. The agreement provides for the remuneration of Dr. Bryan at the rate of CAD\$10,833 per month.

#### Agreement with James Kinley

The Company entered into an Executive Employment Agreement dated December 1, 2021 with James Kinley whereby Mr. Kinley was retained to act as the Company’s CFO. The agreement provides for the remuneration of Mr. Kinley at the rate of CAD\$10,000 per month. On May 31, 2023, the Company and Mr. Kinley terminated the Executive Employment Agreement and entered into a Management Consulting Agreement dated June 1, 2023 at the same rate of CAD\$18,333 per month.

#### Agreement with Michael Sadhra

Under a prior agreement with the Company, Michael Sadhra 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. On September 1, 2020, the Company replaced the Sadhra Amended and Restated Agreement with an Executive Employment Agreement with Mr. Sadhra at the same rate of CAD\$10,000 per month. Mr. Sadhra continued to act as CFO until November 30, 2021, and was paid a severance amount of \$45,000.

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

On October 12, 2021 the Board adopted a Compensation Committee charter. The members of the Compensation Committee are: Harry J.F. Bloomfield (Chair), Raj Attariwala and Howard Gutman.

In determining compensation, this Committee 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 this Committee, 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 this Committee, 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.

This Committee is also responsible for recommending compensation for the directors and granting stock options and awarding restricted share units to the directors, NEOs and employees of, and consultants to, the Company pursuant to the Company’s Stock Option Plan and Restricted Share Unit Plan respectively (defined above).

#### *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 and Restricted Share Unit 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 Compensation Committee 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 and Restricted Share Unit Plan. Stock options are granted and restricted share units are awarded to executives and employees taking into account a number of factors, including the amount and term of Options and RSUs previously granted, base salary and bonuses and competitive factors. The amounts and terms of Options granted and RSUs awarded 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.

#### 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 and restricted share units. 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.

#### 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 and restricted share units awards 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**”). 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 Stock 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 Shares of the Company as long-term investments.

### Share-Based Awards

As described above, the Company has a 10% “rolling” restricted share unit plan (the “**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 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

Other than the Stock Option Plan and Restricted Share Unit 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.

### Long Term Compensation

Long term compensation is paid in the form of granting of stock options and restricted share units. The Board established the Stock Option Plan and Restricted Share Unit Plan to encourage share ownership and entrepreneurship on the part of the directors, management and employees. The Board believes that the Stock Option Plan and Restricted Share Unit 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 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 and RSUs awarded to NEOs are approved by the Board. In monitoring stock option grants and restricted share units, the Board takes into account the level of stock options and restricted share units 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 and restricted share units to be awarded, the Board also makes the following determinations:

- the exercise price for each stock option granted or restricted share unit awarded;
- the date on which each stock option is granted or restricted share unit awarded;
- the vesting terms for each stock option and restricted share unit; and
- the other material terms and conditions of each stock option grant and each restricted share unit awarded.

The Board makes these determinations subject to and in accordance with the provisions of the Stock Option Plan and the Restricted Share Unit Plan.

### ***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, 2023 all required information with respect to compensation plans under which equity securities of the Company are authorized for issuance. Effective on March 3, 2023, the Company split its issued and outstanding Shares on a four-new-for-one-old basis. Each shareholder at March 3, 2023 will receive three additional Shares for each Share held on such date.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options and RSUs (a)</b>	<b>Weighted-average exercise price of outstanding options and RSUs (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 – Stock Option Plan	931,000 Options	\$2.05 Options	646,575 Options
Equity compensation plans not approved by securityholders – Restricted Share Unit Plan	766,672 RSUs	N/A	810,903 RSUs
<b>Total</b>	<b>931,000 Options 766,672 RSUs</b>		<b>646,575 Options 810,903 RSUs</b>

The following table sets out, as of the end of the Company's fiscal year ended August 31, 2022 all required information with respect to compensation plans under which equity securities of the Company are authorized for issuance. Effective on November 24, 2021, the Company's Shares were consolidated at a share ratio of 100:1.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options and RSUs (a)</b>	<b>Weighted-average exercise price of outstanding options and RSUs (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 – Stock Option Plan	943,000 Options	\$2.18 Options	147 Options
Equity compensation plans not approved by securityholders – Restricted Share Unit Plan	884,000 RSUs	N/A	59,000 RSUs
<b>Total</b>	<b>943,000 Options 884,000 RSUs</b>		<b>147 Options 59,000 RSUs</b>

#### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the Company's completed financial years ended August 31, 2023 and August 31, 2022 or as at the date hereof.

#### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set out in this Circular, to the knowledge of management of the Company, no informed person of the Company, proposed director of the Company, or any associate or affiliate of any informed person or proposed director of the Company

has any interest, director or indirect, in any transaction during financial years ended August 31, 2023 and August 31, 2022 or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

## MANAGEMENT CONTRACTS

Other than as set out in this Circular, there are no management functions of the Company, which are to any substantial degree performed by a person or Company other than the directors or NEOs of the Company.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### A. Approval of Amended Stock Option Plan, and for Continuation

As set out in this Information Circular above, the Company's Stock Option Plan is a an "evergreen plan" (also known as a rolling plan) under the policies of the CSE. In accordance with the policies of the CSE, an issuer that has a rolling stock option plan must have its shareholders approve the plan within three years after institution and within every three years thereafter. Accordingly, the Stock Option Plan shall be approved by the Shareholders at the Meeting and re-approved by the Shareholders no later than July 10, 2027.

At the Meeting, Shareholders will be asked to pass an ordinary resolution (the "**Amended Stock Option Plan Resolution**") confirming and approving the Company's Proposed Amended Stock Option Plan, and for Continuation.

The Proposed Amended Stock Option Plan is attached as Schedule B to this Information Circular.

As of the date hereof, there are • outstanding Options under the Proposed Amended Stock Option Plan.

#### **"IT IS HEREBY RESOLVED THAT:**

1. The Stock Option Plan, as Amended, in the form and substance attached as Schedule B to the Company's Information Circular dated May 27, 2024, be and is hereby confirmed and approved.
2. The Company be and is hereby authorized to grant Options to acquire up to 10% of the issued and outstanding Shares in the capital of the Company from time to time in accordance with the terms of the Stock Option Plan, as amended and issue Shares pursuant to the exercise of such Options.
3. The Options to be issued under the Stock Option Plan, as Amended, and all unallocated Options and other Option grants under the Stock Option Plan, as amended, be and are hereby approved.
4. The Stock Option Plan, as amended, shall be re-approved by the shareholders of the Company by no later than July 10, 2027 in accordance with the policies of the Canadian Securities Exchange.
5. Any one director or officer of the Company is hereby authorized for, on behalf of, and in the name of the Company to do and perform or cause to be done or performed all such things, to take or cause to be taken all such actions, to execute and deliver or cause to be executed and delivered all such agreements, documents and instruments, contemplated by, necessary or desirable in connection therewith, or as such director or officer in his discretion may consider necessary, advisable or appropriate in order to give effect to the intent and purposes of the foregoing resolutions, and the doing of such things, the taking of such actions and the execution of such agreements, documents and instruments shall be conclusive evidence that the same have been authorized and approved hereby."

#### *Recommendation of the Board*

**THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE AMENDED STOCK OPTION PLAN RESOLUTION.**

Unless otherwise directed, it is the intention of the management designees to vote proxies in the accompanying form FOR the Amended Stock Option Plan Resolution.

#### *Approval*

The Amended Stock Option Plan Resolution must be approved by a majority of the votes cast by the Shareholders present at the Meeting in person or by proxy in order to become effective.

## **B. Approval of Amended Restricted Share Unit Plan, and for Continuation**

As set out in this Information Circular above, the Company's Proposed Amended Restricted Share Unit Plan is an "evergreen plan" (also known as a rolling plan) under the policies of the CSE. In accordance with the policies of the CSE, an issuer that has a rolling restricted share unit plan must have its shareholders approve the plan within three years after institution and within every three years thereafter. Accordingly, the Proposed Amended Restricted Share Unit Plan shall be approved by the Shareholders at the Meeting and re-approved by the Shareholders no later than July 10, 2027.

At the Meeting, Shareholders will be asked to pass an ordinary resolution (the "**Amended Restricted Share Unit Plan Resolution**") confirming and approving the Company's Proposed Amended Restricted Share Unit Plan, and for Continuation.

The Proposed Amended Restricted Share Unit Plan is attached as Schedule C to this Information Circular.

As of the date hereof, there are • outstanding Restricted Share Units under the Proposed Amended Restricted Share Unit Plan.

### ***Resolution to Approve the Proposed Amended Restricted Share Unit Plan***

The Shareholders will be requested at the Meeting to pass the following resolution:

#### **"IT IS HEREBY RESOLVED THAT:**

1. The Restricted Share Unit Plan, as Amended, in the form and substance attached as Schedule C to the Company's Information Circular dated May 27, 2024, be and is hereby confirmed and approved.
2. The Company be and is hereby authorized to award Restricted Share Units to acquire up to 10% of the issued and outstanding Shares in the capital of the Company from time to time in accordance with the terms of the Restricted Share Unit Plan, as amended and issue Shares pursuant to the exercise of such Restricted Share Units.
3. The Restricted Share Units to be awarded under the Restricted Share Unit Plan, as Amended, and all unallocated Restricted Share Units and Restricted Share Units awarded under the Restricted Share Unit Plan, as amended, be and are hereby approved.
4. The Restricted Share Unit Plan, as amended, shall be re-approved by the shareholders of the Company by no later than July 10, 2027 in accordance with the policies of the Canadian Securities Exchange.
5. Any one director or officer of the Company is hereby authorized for, on behalf of, and in the name of the Company to do and perform or cause to be done or performed all such things, to take or cause to be taken all such actions, to execute and deliver or cause to be executed and delivered all such agreements, documents and instruments, contemplated by, necessary or desirable in connection therewith, or as such director or officer in his discretion may consider necessary, advisable or appropriate in order to give effect to the intent and purposes of the foregoing resolutions, and the doing of such things, the taking of such actions and the execution of such agreements, documents and instruments shall be conclusive evidence that the same have been authorized and approved hereby."

#### ***Recommendation of the Board***

**THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE AMENDED RESTRICTED SHARE UNIT PLAN RESOLUTION.**

Unless otherwise directed, it is the intention of the management designees to vote proxies in the accompanying form FOR the Amended Restricted Share Unit Plan Resolution.

#### ***Approval***

The Amended Restricted Share Unit Plan Resolution must be approved by a majority of the votes cast by the Shareholders present at the Meeting in person or by proxy in order to become effective.

#### **OTHER MATTERS**

The Board is not aware of any other matter which it anticipates will come before the Meeting as of the date of this Circular.

## ADDITIONAL INFORMATION

Financial information is provided in the consolidated audited financial statements of the Company for the fiscal years ended August 31, 2023 and August 31, 2022, the auditor's report thereon and the related management's discussion and analysis, which was filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and will be tabled at the Meeting.

Additional information concerning the Company is available through the Internet on SEDAR+ which may be accessed at [www.sedarplus.ca](http://www.sedarplus.ca), or may be obtained by a Shareholder upon request without charge from the Company at telephone number 604 398-4175. The Company may require the payment of a reasonable charge from any person or company who is not a securityholder of the Company, who requests a copy of any such document.

The contents of this Circular have been approved by the Board of the Company.

**DATED** at Vancouver, British Columbia, May 27, 2024.

**ON BEHALF OF THE BOARD OF DIRECTORS**

*"/S/Christopher Moreau"*

**Christopher Moreau**  
**Chief Executive Officer and Director**



## SCHEDULE A

### ALGERNON PHARMACEUTICALS INC. (the “Corporation”)

#### AUDIT COMMITTEE CHARTER

##### **Objectives**

The Corporation’s Audit Committee (the “**Audit Committee**”) will assist the Corporation’s Board of Directors (the “**Board of Directors**”) in fulfilling its oversight responsibilities for:

1. the system of internal control over financial reporting;
2. the audit process;
3. compliance with legal and regulatory requirements; and
4. the processes for identifying, evaluating and managing the Corporation’s principal risks impacting financial reporting.

##### Committee Membership

The Board of Directors shall appoint annually from among its members an Audit Committee to hold office for the ensuing year or until their successors are elected or appointed (each, a “**Member**”).

The Audit Committee shall be composed of at least three directors, and not more than five directors. All Members must meet the independence and audit committee composition requirements promulgated by all governmental and regulatory bodies having jurisdiction over the Corporation as may be in effect from time to time, including Rule 10A-3 under the United States Exchange Act of 1934, as amended, (the “**Exchange Act**”), Rule 5605(a)(2) of the Listing Rules of the Nasdaq Capital Market, National Instrument 52-110 – *Audit Committees*, and the relevant rules of any other stock exchange(s) on which the Corporation’s securities are listed. In general, each member of the Audit Committee must be free from any relationship that, in the view of the Board of Directors, could be reasonably be expected to interfere with the exercise of their judgement as a Member.

All members of the Audit Committee must be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements). At least one member of the Audit Committee must satisfy the definition of “financial expert” as set out in Item 407(d)(5)(ii) of Regulation S-K under the United States Securities Act of 1933, as amended, and the Exchange Act.

The Board of Directors may from time to time designate one of the Members of the Audit Committee to be the Audit Committee Chair (the “**Chair**”) and, unless otherwise determined by the Board of Directors, the Corporate Secretary of the Corporation shall be the Secretary of the Audit Committee (the “**Audit Committee Secretary**”).

Any member of the Audit Committee may be removed or replaced at any time by the Board of Directors and will cease to be a Member of the Audit Committee on ceasing to be a director of the Corporation. The Board of Directors may fill vacancies on the Audit Committee by election from among the Board of Directors. If and whenever a vacancy will exist on the Audit Committee, the remaining Members may exercise all powers of the Audit Committee so long as a quorum remains.

No Member of the Audit Committee shall receive, directly or indirectly, other than for service on the Board of Directors, the Audit Committee, or other committees of the Board of Directors, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries.

##### Limitations on Audit Committee’s Duties

In contributing to the Audit Committee’s discharge of its duties, each Member of the Audit Committee will be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any Member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board of Directors may be otherwise subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on: (a) the integrity of the persons and organizations from whom they receive information; (b) the accuracy and completeness of the information provided; (c) representations made by management of the Corporation (“Management”) as to the non-audit services provided to the Corporation by the external auditor; (d) financial statements of the Corporation represented to them by a Management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with applicable generally accepted accounting principles; and (e) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

#### Meetings and Participation

The Audit Committee shall meet at least once per quarter, or more frequently as circumstances dictate. The Corporation’s Chief Executive Officer, Chief Financial Officer, any Member of the Audit Committee, or the external auditor may call a meeting of the Audit Committee. The Corporation’s auditors shall be provided notice of all meetings of the Audit Committee and be entitled to attend and be heard thereat.

Meeting agendas will be prepared and provided in advance to Members, along with appropriate briefing materials. The agenda will be set by the Chair in consultation with other Members of the Audit Committee, the Board of Directors and Management of the Corporation.

No business may be transacted by the Audit Committee except at a meeting of its Members at which a quorum of the Audit Committee is present. A quorum for meetings of the Audit Committee is a majority of its Members.

The Audit Committee may ask members of Management and employees of the Corporation (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor and legal counsel) to attend meetings and provide such information as the Audit Committee requests. Members of the Audit Committee will have full access to information of the Corporation (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and will be permitted to discuss such information and any other matters relating to the results of operations and financial position of the Corporation with Management, employees, the external auditor and others as they consider appropriate.

The Audit Committee shall keep minutes of its meetings in which shall be recorded all action taken by it, which minutes shall be approved by Audit Committee Members and available as soon as possible to the Board of Directors.

The Audit Committee or its Chair should meet at least once per year with Management and the external auditor in separate sessions to discuss any matters that the Audit Committee or either of these groups desires to discuss privately. In addition, the Audit Committee or its Chair should meet with Management quarterly in connection with the Corporation’s interim financial statements.

#### Duties, Powers, and Responsibilities

The Audit Committee is hereby delegated the following duties and powers, without limiting these duties and powers, the Audit Committee shall:

##### **1. Financial Reporting**

- (a) Ensure, through discussions with Management and the external auditors, that the Corporation’s annual and quarterly financial statements (individually and collectively, the “**Financial Statements**”), as applicable, present fairly in all material respects the financial condition, results of operations and cash flows of the Corporation as of and for the periods presented.
- (b) Review and recommend for approval to the Board of Directors the Corporation’s Financial Statements, accounting policies that affect the Financial Statements, annual MD&A and associated press release(s).
- (c) Review the financial statements and other financial information of material subsidiaries of the Corporation and any auditor recommendations concerning such subsidiaries.
- (d) Be satisfied as to the adequacy of procedures in place for the review of the Corporation’s public disclosure of financial information extracted or derived from annual or quarterly Financial Statements and periodically assess the adequacy of such procedures.
- (e) Review and approve quarterly Financial Statements, accounting policies that affect the Financial Statements, the quarterly MD&A and the associated press release(s).

- (f) In review of the annual and quarterly Financial Statements, discuss the quality of the Corporation's accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the Financial Statements.
- (g) Review any news releases and reports to be issued by the Corporation containing earnings guidance or financial information for research, analysts and rating agencies. The Audit Committee shall also review the Corporation's policies relating to financial disclosure and the release of earnings guidance and the Corporation's compliance with financial disclosure rules and regulations.
- (h) Review any errors or omissions in the Financial Statements.
- (i) Review significant issues affecting financial reports.
- (j) Review the Corporation's Annual Report for consistency with the financial disclosure referenced in the annual Financial Statements.
- (k) Understand how Management develops interim financial information and the nature and extent of external audit involvement.
- (l) Review the status of material contingent liabilities as reported to the Audit Committee by the Corporation's Management, and the manner in which any material contingent liability has been disclosed in the Corporation's Financial Statements.
- (m) Review any reserves, accruals, provisions, estimates or adopted programs and policies, including factors that affect asset and liability carrying values and the timing of revenue and expense recognition, that may have a material effect upon the Financial Statements.
- (n) Review the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of the Corporation.
- (o) Review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation's operations.
- (p) Reviewing Management's determination of tangible or intangible asset impairment, if any, as required by applicable accounting standards.
- (q) Review emerging developments regarding International Financial Reporting Standards ("IFRS") (as issued by the IFRS Foundation and the International Accounting Standards Board) that could affect the Corporation.
- (r) Review the financial reporting obligations of the Corporation pursuant to its by-laws, its borrowing covenants, the *Business Corporations Act* (British Columbia) and applicable securities regulation and monitor the Corporation's compliance thereunder.
- (s) Review with the external auditors the level of co-operation they received from Management, employees and personnel of the Corporation during the audit process, any issues encountered by the auditors and any impediments on the external auditor's work.
- (t) Review and resolve any disagreements between Management and the external auditors with respect to accounting practices and principles.
- (u) Monitor the objectivity and credibility of the Corporation's financial reports.

## **2. Internal and Disclosure Controls**

- (a) Review and approve corporate signing authorities and modifications thereto.
- (b) Consider the effectiveness of the Corporation's internal controls over financial reporting and related information technology security and control.
- (c) Review with the auditors any issues or concerns related to any internal control systems in the process of the audit.

- (d) Review the plan and scope of the annual audit with respect to planned reliance and testing of controls and major points contained in the auditor's management letter resulting from control evaluation and testing.
- (e) Establish and maintain complaint procedures regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Such procedures are appended hereto as Appendix A.
- (f) Review with the Corporation's Chief Executive Officer and the Chief Financial Officer the Corporation's disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.
- (g) Discuss with the Corporation's Chief Executive Officer and the Chief Financial Officer all elements of certification required pursuant to National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.
- (h) Annually review the Corporation's Whistleblower Policy and its effectiveness and enforcement.
- (i) Approve all material related party transactions in advance; of which materiality is set a \$1 for such matters.

### **3. Compliance with Legal and Regulatory Requirements**

- (a) Review with Management, external auditors and legal counsel any material litigation claims or other contingencies, including tax assessments, and adequacy of financial provisions, that could materially affect financial reporting.
- (b) Review with Management and the Board of Directors any issues with regulatory agencies that are likely to have a significant financial impact on the Corporation.
- (c) Review with counsel the adequacy and effectiveness of the Corporation's procedures to ensure compliance with the legal and regulatory responsibilities.
- (d) Review the status of income tax returns and any significant tax issues as they are reported to the Audit Committee by Management or the Board of Directors.
- (e) Review any inquiries, investigations, or audits of a financial nature by any government, regulatory, or taxation authority.

### **4. External Audit**

- (a) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing such other audit, review or attest services for the Corporation, including the resolution of disagreements between Management and the external auditor regarding financial reporting.
- (b) Review and approve the audit plans, scope and proposed audit fees.
- (c) Discuss with the auditors the results of the audit, any changes in accounting policies or practices and their impact on the financials, as well as any items that might significantly impact financial results.
- (d) Receive a report from the auditors on critical accounting policies and practices to be used, all alternative treatments of financial information within IFRS that have been discussed with Management, including the ramifications of the use of such alternative treatments, and the treatment preferred by the auditor.
- (e) Receive an annual report from the auditors describing the audit firm's internal quality-control procedures, and material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out the firm, and any steps taken to deal with any such issues.
- (f) Annually review the independence of the external auditors by receiving a report from the independent auditor detailing all relationships between them and the Corporation. In assessing such independence, the Audit Committee shall discuss with the external auditors, and may require a letter from the external auditor outlining any relationships between the external auditors and the Corporation or its affiliates.
- (g) Review, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 – *Continuous Disclosure Obligations* or any successor legislation ("NI 51-102"), and the planned steps for

an orderly transition. The Audit Committee shall further review all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor.

- (h) Separately meet with the auditors, apart from Management, at least once a year.
- (i) Recommend to the Board of Directors: (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation and, (ii) the compensation of the external auditor.
- (j) Review, negotiate and recommend to the Board of Directors the execution of all engagement letters of the external auditors, both for audit and non-audit services.
- (k) Review the performance of the external auditors, including the compensation, scope, and timeliness of the audits and all other related services and any non-audit services provided by the external auditors.
- (l) Ensure regular rotation of the lead partner and reviewing partner.
- (m) Establish and oversee policies with regards to the hiring by the Corporation of any partners, employees, and any former partners or employees of any present or former firms that acted as external auditors of the Corporation.

#### **5. Non-Audit Services**

- (a) Pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor. Pre-approval may be granted by any one Member of the Audit Committee.

#### **6. Risk Management**

- (a) Review and monitor the processes in place to identify and manage the principal risks that could impact the financial reporting of the Corporation.
- (b) Ensure that directors' and officers' liability insurance is in place.
- (c) Review and approve corporate investment policies.
- (d) Assess, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board of Directors.

#### **7. Other Responsibilities and Matters**

- (a) Ensure that this Charter or an appropriate summary of it which has been granted approval by the Audit Committee is properly disclosed in accordance with any securities laws or regulatory requirements.
- (b) Review annually the adequacy of this Charter and confirm that all responsibilities have been carried out.
- (c) Evaluate the Audit Committee's and individual Member's performance on a regular basis and report annually to the Board of Directors the result of its annual self-assessment.
- (d) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
- (e) Review the appointments of the Corporation's Chief Financial Officer, internal auditor (or persons appointed to perform the internal audit function), and any key financial executives involved in the financial reporting process of the Corporation and any material subsidiary.
- (f) Discuss the Corporation's compliance with tax and financial reporting laws and regulation, if and when issues arise.
- (g) Review all material balance sheet issues, material contingent obligations and material related party transactions.
- (h) Periodically assess the Corporation's need for an internal audit function, if not present.
- (i) Take such other actions within the general scope of its responsibilities as the Audit Committee shall deem appropriate or as directed by the Board of Directors.

**Authority**

The Audit Committee shall have full access to all of the Corporation's books, records, properties, facilities and personnel, subject to compliance with any leases or similar contracts governing same.

Additionally, the Audit Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any advisors employed by the Audit Committee at the cost of the Corporation without obtaining approval of the Board of Directors, based on its sole judgment and discretion. The Audit Committee has the authority to communicate directly with the internal and external auditors of the Corporation.

**Inconsistencies with Applicable Laws**

In the event of any conflict or inconsistency between this Charter and the applicable laws, in each case as amended, restated or amended and restated from time to time, the provisions hereof shall be ineffective and shall be superseded by the provisions of such applicable laws to the extent necessary to resolve such conflict or inconsistency.

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**Appendix A**

**To Audit Committee Charter**

**Procedures for the Submission of Complaints or Concerns**  
**Regarding Accounting, Internal Accounting Controls or Auditing Matters**

1. The Corporation shall forward to the Audit Committee of the Board of Directors any complaints that it has received regarding accounting, internal accounting controls or auditing matters.
2. Any employee of the Corporation may submit, on a confidential, anonymous basis if the employee so desires, any concerns by sending such concerns in writing and forwarding them in a sealed envelope to:

Attention: Chair of the Audit Committee

Algernon Pharmaceuticals Inc.

400 – 601 West Broadway

Vancouver, BC

V5Z 4C2

The envelope is to be clearly marked: “To be opened by the Audit Committee only.”

Any such envelopes shall be forwarded promptly to the Chair.

3. Contact information including a phone number and e-mail address shall be published for the Chair on the Corporation’s website for those people wishing to contact the Chair directly.
4. At each of its meetings following the receipt of any information pursuant to this Appendix, the Audit Committee shall review and consider any such complaints or concerns and take any action that it deems appropriate in the circumstances.
5. The Audit Committee shall retain any such complaints or concerns along with the material gathered to support its actions for a period of no less than seven years. Such records will be held on behalf of the Audit Committee by the Audit Committee Secretary.
6. This Appendix A shall appear on the Corporation’s website as part of this Charter.

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**SCHEDULE B**  
**ALGERNON PHARMACEUTICALS INC. STOCK OPTION PLAN**  
**DATED FOR REFERENCE SEPTEMBER 11, 2015, WITH PROPOSED AMENDMENT**

**ALGERNON PHARMACEUTICALS INC.**

**STOCK OPTION PLAN**

**DATED FOR REFERENCE SEPTEMBER 11, 2015, WITH PROPOSED AMENDMENT**

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## STOCK OPTION PLAN

### SECTION 1 DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

- (a) “**Administrator**” means such Executive or Employee of the Company as may be designated as Administrator by the Committee from time to time, or, if no such person is appointed, the Committee itself.
- (b) “**Associate**” means, where used to indicate a relationship with any person:
  - (i) any relative, including the spouse of that person or a relative of that person's spouse, where the relative has the same home as the person;
  - (ii) any partner, other than a limited partner, of that person;
  - (iii) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity; and
  - (iv) any corporation of which such person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the corporation.
- (c) “**Black-Out**” means a restriction imposed by the Company on all or any of its directors, officers, employees, insiders or persons in a special relationship whereby they are to refrain from trading in the Company's securities until the restriction has been lifted by the Company.
- (d) “**Board**” means the board of directors of the Company.
- (e) “**Change of Control**” means an occurrence when either:
  - (i) a Person or Entity, other than the current “control person” of the Company (as that term is defined in the *Securities Act*), becomes a “control person” of the Company; or
  - (ii) a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Company are not individuals nominated by the Company's then-incumbent Board.



- (f) “**Committee**” means a committee of the Board to which the responsibility of approving the grant of stock options has been delegated, or if no such committee is appointed, the Board itself.
- (g) “**Company**” means Algernon Pharmaceuticals Inc.
- (h) “**Consultant**” means an individual who:
  - (i) is engaged to provide, on an ongoing bona fide basis, consulting, technical, management or other services to the Company or any Subsidiary other than services provided in relation to a “distribution” (as that term is described in the *Securities Act*);
  - (ii) provides the services under a written contract between the Company or any Subsidiary and the individual or a Consultant Entity (as defined in clause (h)(v) below);
  - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any Subsidiary; and
  - (iv) has a relationship with the Company or any Subsidiary that enables the individual to be knowledgeable about the business and affairs of the Company or is otherwise permitted by applicable Regulatory Rules to be granted Options as a Consultant or as an equivalent thereof,

and includes:

- (i) a corporation of which the individual is an employee or shareholder or a partnership of which the individual is an employee or partner (a “**Consultant Entity**”); or
  - (ii) an RRSP or RRIF established by or for the individual under which he or she is the beneficiary.
  - (iii) “**Disability**” means a medically determinable physical or mental impairment expected to result in death or to last for a continuous period of not less than 12 months, and which causes an individual to be unable to engage in any substantial gainful activity, or any other condition of impairment that the Committee, acting reasonably, determines constitutes a disability.
- (a) “**Employee**” means:
    - (i) an individual who works full-time or part-time for the Company or any Subsidiary and such other individual as may, from time to time, be permitted by applicable Regulatory Rules to be granted Options as an employee or as an equivalent thereto; or

- (ii) an individual who works for the Company or any Subsidiary either full-time or on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or any Subsidiary over the details and methods of work as an employee of the Company or any Subsidiary, but for whom income tax deductions are not made at source,

and includes:

- (i) a corporation wholly-owned by such individual; and
  - (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (b) “**Exchange**” means the stock exchange upon which the Company’s shares principally trade.
- (c) “**Executive**” means an individual who is a director or officer of the Company or a Subsidiary, and includes:
- (i) a corporation wholly-owned by such individual; and
  - (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (d) “**Exercise Notice**” means the written notice of the exercise of an Option, in the form set out as Schedule B hereto, or by written notice in the case of uncertificated Shares, duly executed by the Option Holder.
- (e) “**Exercise Period**” means the period during which a particular Option may be exercised and is the period from and including the Grant Date through to and including the Expiry Time on the Expiry Date provided, however, that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (f) “**Exercise Price**” means the price at which an Option is exercisable as determined in accordance with section 5.3.
- (g) “**Expiry Date**” means the date the Option expires as set out in the Option Certificate or as otherwise determined in accordance with sections 5.4, 6.2, 6.3, 6.4 or 11.4.
- (h) “**Expiry Time**” means the time the Option expires on the Expiry Date, which is 4:00 p.m. local time in Vancouver, British Columbia on the Expiry Date.
- (i) “**Grant Date**” means the date on which the Committee grants a particular Option, which is the date the Option comes into effect provided however that no Option can

be exercised unless and until all necessary Regulatory Approvals have been obtained.

- (j) “**Insider**” means an insider as that term is defined in the *Securities Act*.
- (k) “**Market Value**” means the market value of the Shares as determined in accordance with section 5.3.
- (l) “**Option**” means an incentive share purchase option granted pursuant to this Plan entitling the Option Holder to purchase Shares of the Company.
- (m) “**Option Certificate**” means the certificate, in substantially the form set out as Schedule A hereto, evidencing the Option.
- (n) “**Option Holder**” means a Person or Entity who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.
- (o) “**Outstanding Issue**” means the number of Shares that are outstanding (on a non-diluted basis) immediately prior to the Share issuance or grant of Option in question.
- (p) “**Person or Entity**” means an individual, natural person, corporation, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person or Entity.
- (q) “**Personal Representative**” means:
  - (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and
  - (ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.
- (r) “**Plan**” means this stock option plan as from time to time amended.
- (s) “**Pre-Existing Options**” has the meaning ascribed thereto in section 4.1.
- (t) “**Regulatory Approvals**” means any necessary approvals of the Regulatory Authorities as may be required from time to time for the implementation, operation or amendment of this Plan or for the Options granted from time to time hereunder.
- (u) “**Regulatory Authorities**” means all organized trading facilities on which the Shares are listed, and all securities commissions or similar securities regulatory bodies having jurisdiction over the Company, this Plan or the Options granted from time to time hereunder.

- (v) “**Regulatory Rules**” means all corporate and securities laws, regulations, rules, policies, notices, instruments and other orders of any kind whatsoever which may, from time to time, apply to the implementation, operation or amendment of this Plan or the Options granted from time to time hereunder including, without limitation, those of the applicable Regulatory Authorities.
- (w) “**Securities Act**” means the *Securities Act* (British Columbia), RSBC 1996, c.418 as from time to time amended.
- (x) “**Share**” or “**Shares**” means, as the case may be, one or more common shares without par value in the capital stock of the Company.
- (y) “**Subsidiary**” means a wholly-owned or controlled subsidiary corporation of the Company.
- (z) “**Triggering Event**” means:
  - (i) the proposed dissolution, liquidation or wind-up of the Company;
  - (ii) a proposed merger, amalgamation, arrangement or reorganization of the Company with one or more corporations as a result of which, immediately following such event, the shareholders of the Company as a group, as they were immediately prior to such event, are expected to hold less than a majority of the outstanding capital stock of the surviving corporation;
  - (iii) the proposed acquisition of all or substantially all of the issued and outstanding shares of the Company by one or more Persons or Entities;
  - (iv) a proposed Change of Control of the Company;
  - (v) the proposed sale or other disposition of all or substantially all of the assets of the Company; or
  - (vi) a proposed material alteration of the capital structure of the Company which, in the opinion of the Committee, is of such a nature that it is not practical or feasible to make adjustments to this Plan or to the Options granted hereunder to permit the Plan and Options granted hereunder to stay in effect.
- (aa) “**Vest**” or “**Vesting**” means that a portion of the Option granted to the Option Holder which is available to be exercised by the Option Holder at any time and from time to time.

## 1.2 **Choice of Law**

The Plan is established under, and the provisions of the Plan shall be subject to and interpreted and construed solely in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein without giving effect to the conflicts of laws principles thereof and

without reference to the laws of any other jurisdiction. The Company and each Option Holder hereby attorn to the jurisdiction of the Courts of British Columbia.

### 1.3 **Headings**

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

## **SECTION 2 GRANT OF OPTIONS**

### 2.1 **Grant of Options**

The Committee shall, from time to time in its sole discretion, grant Options to such Persons or Entities and on such terms and conditions as are permitted under this Plan.

### 2.2 **Record of Option Grants**

The Committee shall be responsible to maintain a record of all Options granted under this Plan and such record shall contain, in respect of each Option:

- (a) the name and address of the Option Holder;
- (b) the category (Executive, Employee or Consultant) under which the Option was granted to him, her or it;
- (c) the Grant Date and Expiry Date of the Option;
- (d) the number of Shares which may be acquired on the exercise of the Option and the Exercise Price of the Option;
- (e) the vesting and other additional terms, if any, attached to the Option; and
- (f) the particulars of each and every time the Option is exercised.

### 2.3 **Effect of Plan**

All Options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan notwithstanding the fact that the Option Certificates issued in respect thereof do not expressly contain such terms and conditions but instead incorporate them by reference to the Plan. The Option Certificates will be issued for convenience only and in the case of a dispute with regard to any matter in respect thereof, the provisions of the Plan and the records of the Company shall prevail over the terms and conditions in the Option Certificate, save and except as noted below. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, such terms and conditions will supersede the provisions of the Plan.

### SECTION 3 PURPOSE AND PARTICIPATION

#### 3.1 **Purpose of Plan**

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants to contribute toward the long term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long term investments.

#### 3.2 **Participation in Plan**

The Committee shall, from time to time and in its sole discretion, determine those Executives, Employees and Consultants to whom Options are to be granted.

#### 3.3 **Limits on Option Grants**

The following limitations shall apply to the Plan and all Options thereunder:

- (a) the maximum number of Options which may be granted to any one Option Holder under the Plan within any 12 month period shall be 5% of the Outstanding Issue (unless the Company has obtained disinterested shareholder approval if required by Regulatory Rules);
- (b) if required by Regulatory Rules, disinterested shareholder approval is required to the grant to Insiders, within a 12 month period, of a number of Options which, when added to the number of outstanding incentive stock options granted to Insiders within the previous 12 months, exceed 10% of the issued Shares;
- (c) with respect to section 5.1, the Expiry Date of an Option shall be no later than the tenth anniversary of the Grant Date of such Option;
- (d) the maximum number of Options which may be granted to any one Consultant within any 12 month period must not exceed 2% of the Outstanding Issue; and
- (e) the maximum number of Options which may be granted within any 12 month period to Employees or Consultants engaged in investor relations activities must not exceed 2% of the Outstanding Issue and such options must vest in stages over 12 months with no more than 25% of the Options vesting in any three month period, and such limitation will not be an amendment to this Plan requiring the Option Holders consent under section 9.2 of this Plan.

#### 3.4 **Notification of Grant**

Following the granting of an Option, the Administrator shall, within a reasonable period of time, notify the Option Holder in writing of the grant and shall enclose with such notice the Option Certificate representing the Option so granted. In no case will the Company be required to deliver



an Option Certificate to an Option Holder until such time as the Company has obtained all necessary Regulatory Approvals for the grant of the Option.

### 3.5 **Copy of Plan**

Each Option Holder, concurrently with the notice of the grant of the Option, shall be provided with a copy of the Plan. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

### 3.6 **Limitation on Service**

The Plan does not give any Option Holder that is an Executive the right to serve or continue to serve as an Executive of the Company or any Subsidiary, nor does it give any Option Holder that is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company or any Subsidiary.

### 3.7 **No Obligation to Exercise**

Option Holders shall be under no obligation to exercise Options.

### 3.8 **Agreement**

The Company and every Option Holder granted an Option hereunder shall be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Company to be bound by the terms and conditions of this Plan. In the event that the Option Holder receives his, her or its Options pursuant to an oral or written agreement with the Company or a Subsidiary, whether such agreement is an employment agreement, consulting agreement or any other kind of agreement of any kind whatsoever, the Option Holder acknowledges that in the event of any inconsistency between the terms relating to the grant of such Options in that agreement and the terms attaching to the Options as provided for in this Plan, the terms provided for in this Plan shall prevail and the other agreement shall be deemed to have been amended accordingly.

### 3.9 **Notice**

Any notice, delivery or other correspondence of any kind whatsoever to be provided by the Company to an Option Holder will be deemed to have been provided if provided to the last home address, fax number or email address of the Option Holder in the records of the Company and the Company shall be under no obligation to confirm receipt or delivery.

### 3.10 **Representation**

As a condition precedent to the issuance of an Option, the Company must be able to represent to the Exchange as of the Grant Date that the Option Holder is a *bona fide* Executive, Employee or Consultant of the Company or any Subsidiary.

## SECTION 4 NUMBER OF SHARES UNDER PLAN

### 4.1 **Board to Approve Issuance of Shares**

The Committee shall approve by resolution the issuance of all Shares to be issued to Option Holders upon the exercise of Options, such authorization to be deemed effective as of the Grant Date of such Options regardless of when it is actually done. The Committee shall be entitled to approve the issuance of Shares in advance of the Grant Date, retroactively after the Grant Date, or by a general approval of this Plan.

### 4.2 **Number of Shares**

Subject to adjustment as provided for herein, the number of Shares which will be available for purchase pursuant to Options granted pursuant to this Plan, plus any other outstanding incentive stock options of the Company granted pursuant to a previous stock option plan or agreement, will not exceed 10% of the Outstanding Issue. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

### 4.3 **Fractional Shares**

No fractional shares shall be issued upon the exercise of any Option and, if as a result of any adjustment, an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made for the fractional interest.

## SECTION 5 TERMS AND CONDITIONS OF OPTIONS

### 5.1 **Exercise Period of Option**

Subject to sections 5.4, 6.2, 6.3, 6.4 and 11.4, the Grant Date and the Expiry Date of an Option shall be the dates fixed by the Committee at the time the Option is granted and shall be set out in the Option Certificate issued in respect of such Option.

### 5.2 **Number of Shares Under Option**

The number of Shares which may be purchased pursuant to an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option.

### 5.3 **Exercise Price of Option**

The Exercise Price at which an Option Holder may purchase a Share upon the exercise of an Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The Exercise Price shall not be less than the Market Value of the Shares as of the

Grant Date. The Market Value of the Shares for a particular Grant Date shall be determined as follows:

- (a) for each organized trading facility on which the Shares are listed, Market Value will be the closing trading price of the Shares on the day immediately preceding the Grant Date, and may be less than this price if it is within the discounts permitted by the applicable Regulatory Authorities;
- (b) if the Company's Shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the Shares are listed, as determined by the Committee, subject to any adjustments as may be required to secure all necessary Regulatory Approvals;
- (c) if the Company's Shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the Grant Date, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee; and
- (d) if the Company's Shares are not listed on any organized trading facility, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee to be the fair value of the Shares, taking into consideration all factors that the Committee deems appropriate, including, without limitation, recent sale and offer prices of the Shares in private transactions negotiated at arms' length. Notwithstanding anything else contained herein, in no case will the Market Value be less than the minimum prescribed by each of the organized trading facilities that would apply to the Company on the Grant Date in question.

#### 5.4 **Termination of Option**

Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of the Expiry Time on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date so fixed by the Committee at the time the Option is granted as set out in the Option Certificate and the date established, if applicable, in paragraphs (a) or (b) below or sections 6.2, 6.3, 6.4, or 11.4 of this Plan:

- (a) *Ceasing to Hold Office* - In the event that the Option Holder holds his or her Option as an Executive and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 30th day following the date the Option Holder ceases to hold such position unless the Option Holder ceases to hold such position as a result of:

- (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Company;
- (ii) a special resolution having been passed by the shareholders of the Company removing the Option Holder as a director of the Company or any Subsidiary;  
or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position; OR

(b) *Ceasing to be Employed or Engaged* - In the event that the Option Holder holds his or her Option as an Employee or Consultant and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise determined by the Committee and expressly provided for in the Option Certificate, the 30th day following the date the Option Holder ceases to hold such position, unless the Option Holder ceases to hold such position as a result of:

- (i) termination for cause;
- (ii) resigning his or her position; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position.

In the event that the Option Holder ceases to hold the position of Executive, Employee or Consultant for which the Option was originally granted, but comes to hold a different position as an Executive, Employee or Consultant prior to the expiry of the Option, the Committee may, in its sole discretion, choose to permit the Option to stay in place for that Option Holder with such Option then to be treated as being held by that Option Holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan. Notwithstanding anything else contained herein, in no case will an Option be exercisable later than the Expiry Date of the Option.

## 5.5 **Vesting of Option and Acceleration**

The vesting schedule for an Option, if any, shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The Committee may elect, at any time, to accelerate the vesting schedule of one or more Options including, without limitation, on a Triggering Event, and such acceleration will not be considered an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan.

## 5.6 **Additional Terms**

Subject to all applicable Regulatory Rules and all necessary Regulatory Approvals, the Committee may attach additional terms and conditions to the grant of a particular Option, such terms and conditions to be set out in a schedule attached to the Option Certificate. The Option Certificates will be issued for convenience only, and in the case of a dispute with regard to any matter in respect thereof, the provisions of this Plan and the records of the Company shall prevail over the terms and conditions in the Option Certificate, save and except as noted below. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Certificate for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, such terms and conditions will supersede the provisions of the Plan.

## SECTION 6 TRANSFERABILITY OF OPTIONS

### 6.1 **Non-transferable**

Except as provided otherwise in this section 6, Options are non-assignable and non-transferable.

### 6.2 **Death of Option Holder**

In the event of the Option Holder's death, any Options held by such Option Holder shall pass to the Personal Representative of the Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the date of death and the applicable Expiry Date.

### 6.3 **Disability of Option Holder**

If the employment or engagement of an Option Holder as an Employee or Consultant or the position of an Option Holder as a director or officer of the Company or a Subsidiary is terminated by the Company by reason of such Option Holder's Disability, any Options held by such Option Holder shall be exercisable by such Option Holder or by the Personal Representative on or before the date which is the earlier of one year following the termination of employment, engagement or appointment as a director or officer and the applicable Expiry Date.

### 6.4 **Disability and Death of Option Holder**

If an Option Holder has ceased to be employed, engaged or appointed as a director or officer of the Company or a Subsidiary by reason of such Option Holder's Disability and such Option Holder dies within one year after the termination of such engagement, any Options held by such Option Holder that could have been exercised immediately prior to his or her death shall pass to the Personal Representative of such Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the death of such Option Holder and the applicable Expiry Date.

## 6.5 **Vesting**

Unless the Committee determines otherwise, Options held by or exercisable by a Personal Representative shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

## 6.6 **Deemed Non-Interruption of Engagement**

Employment or engagement by the Company shall be deemed to continue intact during any military or sick leave or other *bona fide* leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Option Holder's right to re-employment or re-engagement by the Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Option Holder's re-employment or re-engagement is not so guaranteed, then his or her employment or engagement shall be deemed to have terminated on the ninety-first day of such leave.

# SECTION 7 EXERCISE OF OPTION

## 7.1 **Exercise of Option**

An Option may be exercised only by the Option Holder or the Personal Representative of any Option Holder. An Option Holder or the Personal Representative of any Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period up to the Expiry Time on the Expiry Date by delivering to the Administrator the required Exercise Notice, or by written notice in the case of uncertificated Shares, the applicable Option Certificate and a certified cheque or bank draft or wire transfer payable to the Company or its legal counsel in an amount equal to the aggregate Exercise Price of the Shares then being purchased pursuant to the exercise of the Option. Notwithstanding anything else contained herein, Options may not be exercised during a Black-Out unless the Committee determines otherwise.

## 7.2 **Issue of Share Certificates**

As soon as reasonably practicable following the receipt of the notice of exercise as described in section 7.1 and payment in full for the Optioned Shares being acquired, the Administrator will direct its transfer agent to issue to the Option Holder the appropriate number of Shares in either certificate form or at the election of the Option Holder, on an uncertificated basis pursuant to the instructions given by the Option Holder to the Administrator. If the number of Shares so purchased is less than the number of Shares subject to the Option Certificate surrendered, the Administrator shall also provide a new Option Certificate for the balance of Shares available under the Option to the Option Holder concurrent with delivery of the Shares.

## 7.3 **No Rights as Shareholder**

Until the date of the issuance of the certificate for the Shares purchased pursuant to the exercise of an Option, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option, unless the Committee



determines otherwise. In the event of any dispute over the date of the issuance of the Shares, the decision of the Committee shall be final, conclusive and binding.

#### 7.4 **Tax Withholding and Procedures**

Notwithstanding anything else contained in this Plan, the Company may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law, or the funding of related amounts for which liability may arise under such applicable law. Without limiting the generality of the foregoing, an Option Holder who wishes to exercise an Option must, in addition to following the procedures set out in section 7.1 and elsewhere in this Plan, and as a condition of exercise:

- (a) deliver a certified cheque, wire transfer or bank draft payable to the Company for the amount determined by the Company to be the appropriate amount on account of such taxes or related amounts; or
- (b) otherwise ensure, in a manner acceptable to the Company (if at all) in its sole and unfettered discretion, that the amount will be securely funded;
- (c) and must in all other respects follow any related procedures and conditions imposed by the Company.

### **SECTION 8 ADMINISTRATION**

#### 8.1 **Board or Committee**

The Plan shall be administered by the Administrator with oversight by the Committee.

#### 8.2 **Powers of Committee**

The Committee shall have the authority to do the following:

- (a) oversee the administration of the Plan in accordance with its terms;
- (b) appoint or replace the Administrator from time to time;
- (c) determine all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the Market Value;
- (d) correct any defect, supply any information or reconcile any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan;
- (e) prescribe, amend, and rescind rules and regulations relating to the administration of the Plan;

- (f) determine the duration and purposes of leaves of absence from employment or engagement by the Company which may be granted to Option Holders without constituting a termination of employment or engagement for purposes of the Plan;
- (g) do the following with respect to the granting of Options:
  - (i) determine the Executives, Employees or Consultants to whom Options shall be granted, based on the eligibility criteria set out in this Plan;
  - (ii) determine the terms of the Option to be granted to an Option Holder including, without limitation, the Grant Date, Expiry Date, Exercise Price and vesting schedule (which need not be identical with the terms of any other Option);
  - (iii) subject to any necessary Regulatory Approvals and section 9.2, amend the terms of any Options;
  - (iv) determine when Options shall be granted; and
  - (v) determine the number of Shares subject to each Option;
- (h) accelerate the vesting schedule of any Option previously granted; and
- (i) make all other determinations necessary or advisable, in its sole discretion, for the administration of the Plan.

### 8.3 **Administration by Committee**

All determinations made by the Committee in good faith shall be final, conclusive and binding upon all persons. The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

### 8.4 **Interpretation**

The interpretation by the Committee of any of the provisions of the Plan and any determination by it pursuant thereto shall be final, conclusive and binding and shall not be subject to dispute by any Option Holder. No member of the Committee or any person acting pursuant to authority delegated by it hereunder shall be personally liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Committee and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

**SECTION 9  
APPROVALS AND AMENDMENT**

**9.1 Shareholder Approval of Plan**

If required by a Regulatory Authority or by the Committee, this Plan may be made subject to the approval of the shareholders of the Company as prescribed by the Regulatory Authority. If shareholder approval is required, any Options granted under this Plan prior to such time will not be exercisable or binding on the Company unless and until such shareholder approval is obtained.

**9.2 Amendment of Option or Plan**

Subject to any required Regulatory Approvals, the Committee may from time to time amend any existing Option or the Plan or the terms and conditions of any Option thereafter to be granted provided that where such amendment relates to an existing Option and it would:

- (a) materially decrease the rights or benefits accruing to an Option Holder; or
- (b) materially increase the obligations of an Option Holder; then, unless otherwise excepted out by a provision of this Plan, the Committee must also obtain the written consent of the Option Holder in question to such amendment. If at the time the Exercise Price of an Option is reduced the Option Holder is an Insider of the Company, the Insider must not exercise the option at the reduced Exercise Price until the reduction in Exercise Price has been approved by the disinterested shareholders of the Company, if required by the Exchange.

**SECTION 10  
CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES**

**10.1 Compliance with Laws**

An Option shall not be granted or exercised, and Shares shall not be issued pursuant to the exercise of any Option, unless the grant and exercise of such Option and the issuance and delivery of such Shares comply with all applicable Regulatory Rules, and such Options and Shares will be subject to all applicable trading restrictions in effect pursuant to such Regulatory Rules and the Company shall be entitled to legend the Option Certificates and the certificates for the Shares or the written notice in the case of uncertificated Shares representing such Shares accordingly.

**10.2 Regulatory Approvals**

In administering this Plan, the Committee will seek any Regulatory Approvals which may be required. The Committee will not permit any Options to be granted without first obtaining the necessary Regulatory Approvals unless such Options are granted conditional upon such Regulatory Approvals being obtained. The Committee will make all filings required with the Regulatory Authorities in respect of the Plan and each grant of Options hereunder. No Option granted will be exercisable or binding on the Company unless and until all necessary Regulatory Approvals have been obtained. The Committee shall be entitled to amend this Plan and the Options

granted hereunder in order to secure any necessary Regulatory Approvals and such amendments will not require the consent of the Option Holders under section 9.2 of this Plan.

### 10.3 **Inability to Obtain Regulatory Approvals**

The Company's inability to obtain Regulatory Approval from any applicable Regulatory Authority, which Regulatory Approval is deemed by the Committee to be necessary to complete the grant of Options hereunder, the exercise of those Options or the lawful issuance and sale of any Shares pursuant to such Options, shall relieve the Company of any liability with respect to the failure to complete such transaction.

## SECTION 11 ADJUSTMENTS AND TERMINATION

### 11.1 **Termination of Plan**

The Board may amend, suspend or terminate the Plan or any portion thereof at any time in accordance with applicable law, and subject to any required regulatory approval.

### 11.2 **No Grant During Suspension of Plan**

No Option may be granted during any suspension, or after termination, of the Plan. Suspension or termination of the Plan shall not, without the consent of the Option Holder, alter or impair any rights or obligations under any Option previously granted.

### 11.3 **Alteration in Capital Structure**

If there is a material alteration in the capital structure of the Company and the Shares are consolidated, subdivided, converted, exchanged, reclassified or in any way substituted for, the Committee shall make such adjustments to this Plan and to the Options then outstanding under this Plan as the Committee determines to be appropriate and equitable under the circumstances, so that the proportionate interest of each Option Holder shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustments may include, without limitation:

- (a) a change in the number or kind of shares of the Company covered by such Options; and
- (b) a change in the Exercise Price payable per Share provided, however, that the aggregate Exercise Price applicable to the unexercised portion of existing Options shall not be altered, it being intended that any adjustments made with respect to such Options shall apply only to the Exercise Price per Share and the number of Shares subject thereto.

For purposes of this section 11.3, and without limitation, neither:

- (c) the issuance of additional securities of the Company in exchange for adequate consideration (including services); nor

- (d) the conversion of outstanding securities of the Company into Shares shall be deemed to be material alterations of the capital structure of the Company. Any adjustment made to any Options pursuant to this section 11.3 shall not be considered an amendment requiring the Option Holder's consent for the purposes of section 9.2 of this Plan.

#### 11.4 **Triggering Events**

Subject to the Company complying with section 11.5 and any necessary Regulatory Approvals and notwithstanding any other provisions of this Plan or any Option Certificate, the Committee may, without the consent of the Option Holder or Holders in question:

- (a) cause all or a portion of any of the Options granted under the Plan to terminate upon the occurrence of a Triggering Event; or
- (b) cause all or a portion of any of the Options granted under the Plan to be exchanged for incentive stock options of another corporation upon the occurrence of a Triggering Event in such ratio and at such exercise price as the Committee deems appropriate, acting reasonably.

Such termination or exchange shall not be considered an amendment requiring the Option Holder's consent for the purpose of section 9.2 of the Plan.

#### 11.5 **Notice of Termination by Triggering Event**

In the event that the Committee wishes to cause all or a portion of any of the Options granted under this Plan to terminate on the occurrence of a Triggering Event, it must give written notice to the Option Holders in question not less than 10 days prior to the consummation of a Triggering Event so as to permit the Option Holder the opportunity to exercise the vested portion of the Options prior to such termination. Upon the giving of such notice and subject to any necessary Regulatory Approvals, all Options or portions thereof granted under the Plan which the Company proposes to terminate shall become immediately exercisable notwithstanding any contingent vesting provision to which such Options may have otherwise been subject.

#### 11.6 **Determinations to be Made By Committee**

Adjustments and determinations under this section 11 shall be made by the Committee, whose decisions as to what adjustments or determination shall be made, and the extent thereof, shall be final, binding, and conclusive.

## SCHEDULE A

**[Include legends prescribed by Regulatory Authorities, if required.]**

### ALGERNON PHARMACEUTICALS INC.

#### STOCK OPTION PLAN - OPTION CERTIFICATE

This Option Certificate is issued pursuant to the provisions of the Stock Option Plan (the “**Plan**”) of Algernon Pharmaceuticals Inc. (the “**Company**”) and evidences that ♦[Name of Option Holder] is the holder (the “**Option Holder**”) of an option (the “**Option**”) to purchase up to ♦ common shares (the “**Shares**”) in the capital stock of the Company at a purchase price of Cdn.\$ ♦ per Share (the “**Exercise Price**”). This Option may be exercised at any time and from time to time from and including the following Grant Date through to and including up to 4:00 p.m. local time in Vancouver, British Columbia (the “**Expiry Time**”) on the following Expiry Date:

- (a) the Grant Date of this Option is ♦, 20♦; and
- (b) subject to sections 5.4, 6.2, 6.3, 6.4 and 11.4 of the Plan, the Expiry Date of this Option is ♦,20♦.

To exercise this Option, the Option Holder must deliver to the Administrator of the Plan, prior to the Expiry Time on the Expiry Date, an Exercise Notice, in the form provided in the Plan, or written notice in the case of uncertificated Shares, which is incorporated by reference herein, together with the original of this Option Certificate and a certified cheque or bank draft payable to the Company or its legal counsel in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which this Option is being exercised.

This Option Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan. This Option Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Company shall prevail. This Option is also subject to the terms and conditions contained in the schedules, if any, attached hereto.

**[Include legends on the certificate or the written notice in the case of uncertificated shares prescribed by Regulatory Authorities, if required.]**

If the Option Holder is a resident or citizen of the United States of America at the time of the exercise of the Option, the certificate(s) representing the Shares will be endorsed with the following or a similar legend:

“The securities represented hereby have not been 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. The holder hereof, by purchasing such securities, agrees for the benefit of the Company that such securities may be offered, sold or otherwise transferred only (a) to the Company; (b) outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act; (c) in accordance with the exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in compliance with any applicable state securities laws; or (d) in a transaction that does not require registration under the U.S. Securities Act and any applicable state securities laws, and, in the case of paragraph (c) or (d), the seller furnishes to the Company an opinion of counsel of recognized standing in form and substance satisfactory to the Company to such effect.

The presence of this legend may impair the ability of the holder hereof to effect “good delivery” of the securities represented hereby on a Canadian stock exchange.”

**ALGERNON PHARMACEUTICALS INC.  
by its authorized signatory:**

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The Option Holder acknowledges receipt of a copy of the Plan and represents to the Company that the Option Holder is familiar with the terms and conditions of the Plan, and hereby accepts this Option subject to all of the terms and conditions of the Plan. The Option Holder agrees to execute, deliver, file and otherwise assist the Company in filing any report, undertaking or document with respect to the awarding of the Option and exercise of the Option, as may be required by the Regulatory Authorities. The Option Holder further acknowledges that if the Plan has not been approved by the shareholders of the Company on the Grant Date, this Option is not exercisable until such approval has been obtained.

Signature of Option Holder:

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Signature

---

Date signed:

---

Print Name

---

Address

---

## OPTION CERTIFICATE – SCHEDULE

**[Complete the following additional terms and any other special terms, if applicable, or remove the inapplicable terms or this schedule entirely.]**

The additional terms and conditions attached to the Option represented by this Option Certificate are as follows:

1. The Options will not be exercisable unless and until they have vested and then only to the extent that they have vested. The Options will vest in accordance with the following:
  - (a) ♦ Shares (♦%) will vest and be exercisable on or after the Grant Date;
  - (b) ♦ additional Shares (♦%) will vest and be exercisable on or after ♦ [date];
  - (c) ♦ additional Shares (♦%) will vest and be exercisable on or after ♦ [date];
  - (d) ♦ additional Shares (♦%) will vest and be exercisable on or after ♦ [date];
  
2. Upon the Option Holder ceasing to hold a position with the Company, other than as a result of the events set out in paragraphs 5.4(a) or 5.4(b) of the Plan, the Expiry Date of the Option shall be ♦ **[Insert date desired that is longer or shorter than the standard 30 days as set out in the Plan]** following the date the Option Holder ceases to hold such position.



**SCHEDULE B**  
**ALGERNON PHARMACEUTICALS INC.**  
**STOCK OPTION PLAN**

**NOTICE OF EXERCISE OF OPTION**

TO: The Administrator, Stock Option Plan  
◆  
◆ [ Address]  
(or such other address as the Company may advise)

The undersigned hereby irrevocably gives notice, pursuant to the Stock Option Plan (the “**Plan**”) of Algernon Pharmaceuticals Inc. (the “**Company**”), of the exercise of the Option to acquire and hereby subscribes for (**cross out inapplicable item**):

- (a) all of the Shares; or
- (b) of the Shares;

which are the subject of the Option Certificate attached hereto (**attach your original Option Certificate**). The undersigned tenders herewith a certified cheque or bank draft (**circle one**) payable to the Company or to ◆ in an amount equal to the aggregate Exercise Price of the aforesaid Shares and directs the Company to issue a certificate OR a written notice in the case of uncertificated Shares evidencing said Shares in the name of the undersigned to be issued to the undersigned [in the case of issuance of a share certificate, at the following address (**provide full complete address**)]:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The undersigned acknowledges the Option is not validly exercised unless this Notice is completed in strict compliance with this form and delivered to the required address with the required payment prior to 4:00 p.m. local time in Vancouver, BC on the Expiry Date of the Option.

DATED the day \_\_\_\_\_ of \_\_\_\_\_, 20\_\_ .

\_\_\_\_\_  
**Signature of Option Holder**

**SCHEDULE C**  
**ALGERNON PHARMACEUTICALS INC. RESTRICTED SHARE UNIT PLAN**  
**EFFECTIVE AS OF JULY 23, 2020 WITH PROPOSED AMENDMENT**

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**ALGERNON PHARMACEUTICALS INC.**

**RESTRICTED SHARE UNIT PLAN**

EFFECTIVE AS OF JULY 23, 2020 WITH PROPOSED AMENDMENT

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# RESTRICTED SHARE UNIT PLAN

## ARTICLE 1 PURPOSE AND INTERPRETATION

### Section 1.1 Purpose

The purpose of the 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.

### Section 1.2 Definitions

For the purposes of this Plan, the following terms shall have the following meanings:

- (a) “Account” means a notional account maintained for each Participant on the books of the Company which will be credited with Restricted Share Units and Dividend RSUs, in accordance with the terms of the Plan;
- (b) “Affiliate” means any person that controls or is controlled by the Company or that is controlled by the same person that controls the Company;
- (c) “Associate” has the meaning ascribed to that term under the *Securities Act*, R.S.B.C. 1996, c. 418, as amended from time to time;
- (d) “Affiliated Companies”, “Controlled Companies” and “Subsidiary Companies” have the meanings ascribed to those terms under the *Securities Act*, R.S.B.C. 1996, c. 418, as amended from time to time;
- (e) “Black-Out Period” means the period during which designated directors, officers, employees and consultants of the Company and, if applicable, any Subsidiary Company, cannot trade Common Shares pursuant to the Company’s insider trading policy which is in effect at that time (which, for certainty, does not include the period during which a cease trade order is in effect to which the Company, or in respect of a Reporting Insider, that Reporting Insider, is subject);
- (f) “Board” means the board of directors of the Company or such delegate as referred to by the term in Section 3.1(1);
- (g) “Business Day” means any day other than a Saturday, Sunday or a statutory or civic holiday in the City of Vancouver, British Columbia, on which the Stock Exchange is open for trading;

- (h) “Cause” means (i) if the Participant has a written agreement with the Company or Subsidiary Companies in which cause is defined, cause as defined therein; or otherwise (ii) (A) the inability of the Participant to perform his or her duties due to a legal impediment such as an injunction, restraining order or other type of judicial judgment, decree or order entered against the Participant; (B) the failure of the Participant to follow the Company’s reasonable instructions with respect to the performance of his or her duties; (C) any material breach by the Participant of his or her obligations under any code of ethics, any other code of business conduct or any lawful policies or procedures of the Company; (D) excessive absenteeism, flagrant neglect of duties, serious misconduct, or conviction of crime or fraud; and (E) any other act or omission of the Participant which would in law permit an employer to, without notice or payment in lieu of notice, terminate the employment of an employee;
- (i) “Change of Control Event” means:
  - (i) the acquisition of a sufficient number of voting securities in the capital of the Company so that the acquiror, together with Persons or Entities acting jointly or in concert with the acquiror, becomes entitled, directly or indirectly, to exercise more than 50% of the voting rights attaching to the outstanding voting securities in the capital of the Company (provided that, prior to the acquisition, the acquiror was not entitled to exercise more than 50% of the voting rights attaching to the outstanding voting securities in the capital of the Company);
  - (ii) the completion of a consolidation, merger, arrangement or amalgamation of the Company with or into any other entity whereby the voting securityholders of the Company immediately prior to the consolidation, merger, arrangement or amalgamation receive less than 50% of the voting rights attaching to the outstanding voting securities of the consolidated, merged, arranged or amalgamated entity;
  - (iii) the completion of a sale whereby all or substantially all of the Company’s undertakings and assets become the property of any other entity and the voting securityholders of the Company immediately prior to the sale hold less than 50% of the voting rights attaching to the outstanding voting securities of that other entity immediately following that sale; or
  - (iv) an occurrence when a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Company are not individuals nominated by the Company's then-incumbent Board.
- (j) “Common Shares” means the common shares in the share capital of the Company;
- (k) “Company” means Algernon Pharmaceuticals Inc.;

- (l) “Consultant” means a corporate entity or an individual, other than an employee, executive officer or director of the Company or of an Affiliate, that:
- (i) is engaged to provide services to the Company or an Affiliate, other than services provided in relation to a distribution of the Company’s securities;
  - (ii) provides the services under a written contract with the Company or an Affiliate; and
  - (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate;
- and includes, for an individual consultant, a Company of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner;
- (m) “Dividend RSUs” means a bookkeeping entry credited to a Participant’s Account equivalent in value to the dividend, if any, paid on a Common Share in accordance with Section 4.2 of the Plan;
- (n) “Eligible Person” means:
- (i) any director, officer, employee or Consultant of the Company or any of its Subsidiary Companies; and
  - (ii) any Personal Holding Company of any of the persons listed in Section 1.2(m)(i) above;
- who is designated by the Board as eligible to participate in the Plan;
- (o) “Expiry Date” means the expiry date set out by the Board on the date of approval of a grant and as described in the applicable RSU Grant Letter (which for greater certainty may vary between RSUs granted from time to time), following which an RSU is expired and is thereafter incapable of settlement, and is of no value whatsoever, provided however that in no event shall an Expiry Date be a date that is more than three years from the date of grant;
- (p) “Market Price” means, with respect to any particular date, the volume weighted average trading price of the Common Shares as reported on the Stock Exchange for the five (5) trading days immediately preceding that date;
- (q) “Participant” means an Eligible Person to whom RSUs have been granted and are outstanding;
- (r) “Personal Holding Company” means a personal holding Company that is either wholly owned, or controlled by, any director, executive officer, employee or Consultant of the Company or its Affiliates, and the shares of which are held

directly or indirectly by any such person or the person's spouse, minor children and/or minor grandchildren;

- (s) "Person or Entity" means an individual, natural person, Company, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person or Entity;
- (t) "Plan" means this Restricted Share Unit plan of the Company, as amended from time to time;
- (u) "Reporting Insider" means a reporting insider as defined under National Instrument 55-104 as may be amended from time to time;
- (v) "Restricted Share Unit" or "RSU" means a bookkeeping entry equivalent in value to a Common Share credited to a Participant's Account and representing the right of a Participant to whom a grant of such restricted share units is made to receive one Common Share (or, pursuant to Section 4.3, an amount of cash equal to the Market Value thereof), pursuant and subject to the terms and conditions set forth in this Plan and in the applicable RSU Grant Letter;
- (w) "RSU Award" means the number of RSUs determined by the Board to be awarded to the Participant and credited to a Participant's Account, as evidenced by a RSU Grant Letter;
- (x) "RSU Grant Letter" has the meaning given to that term in Section 3.1(3);
- (y) "*Securities Act*" means the *Securities Act* (British Columbia), RSBC 1996, c.418 as from time to time amended.
- (z) "Settlement Date" means the Business Day during the Settlement Period on which a Participant elects to settle an RSU in accordance with Section 4.3;
- (aa) "Settlement Notice" has the meaning set out in Section 4.3;
- (bb) "Settlement Period" means the period starting on the Vesting Date and ending on the Expiry Date;
- (cc) "Shareholder" means a holder of a Common Share in the capital of the Company;
- (dd) "Share Compensation Arrangement" means any stock option, stock option plan, employee stock purchase plan, restricted share unit, or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including a share purchase from treasury which is financially assisted by the Company by way of a loan, guarantee or otherwise including, without limitation, this Plan;



- (ee) “Stock Exchange” means the Canadian Securities Exchange or if the Common Shares are not listed on the Canadian Securities Exchange, any stock exchange on which the Common Shares are listed or traded, as determined by the Board;
- (ff) “Termination Date” means the date on which a Participant ceases to be an Eligible Person. For greater certainty, in the case of a Participant whose employment or term of office with the Company or any Subsidiary Company terminates in the circumstances set out in Section 4.4(1)(a), Section 4.4(1)(b) or Section 4.4(1)(c), the date that is designated by the Company or any Subsidiary Company, as the last day of the Participant’s employment or term of office with the Company or such Subsidiary Company, provided that in the case of termination of employment or term of office by voluntary resignation by the Participant, such date shall not be earlier than the date notice of resignation was given, and “Termination Date” specifically does not include any period of reasonable notice that the Company or any Subsidiary Company may be required at law to provide to the Participant; and
- (gg) “Vesting Date” means the date on which an RSU is vested for the purposes of the Plan.

### **Section 1.3 Interpretation**

Words importing the singular number only shall include the plural and vice versa and words importing the masculine shall include the feminine.

### **Section 1.4 Governing Law**

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

### **Section 1.5 Severability**

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

## **ARTICLE 2 SHARE CAPITAL**

### **Section 2.1 Shares Reserved**

- (1) Subject to Section 5.3(1), the securities that may be acquired by Participants pursuant to RSUs granted under this Plan shall consist of authorized but unissued Common Shares.
- (2) The Company shall at all times during the term of this Plan ensure that the number of Common Shares it is authorized to issue shall be sufficient to satisfy the requirements of RSUs granted under this Plan.

(3) The maximum number of Common Shares made available for issuance pursuant to the Plan shall be determined from time to time by the Board, but in any case, shall not exceed 10% of the Common Shares issued and outstanding from time to time, subject to adjustments as provided in the Plan.

(4) The Plan shall be a “rolling plan” and therefore 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 Plan.

### **ARTICLE 3 ADMINISTRATION**

#### **Section 3.1 General**

(1) This Plan shall be administered by the Board. Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board and/or to any member of the Board. Any delegation pursuant to this Section 3.1 shall be documented in a resolution of the Board.

(2) Subject to the terms and conditions set forth herein, the Board is authorized to provide for the awarding, granting, vesting, settlement and method of settlement of RSUs, all on such terms (which may vary between RSUs granted from time to time) as it shall determine. In addition, the Board shall have the authority to:

- (a) select any directors, officers, employees or Consultants of the Company or Subsidiary Companies of the Company to participate in this Plan; provided that RSUs granted to any Participant shall be approved by the Shareholders if the rules of the Stock Exchange require such approval;
- (b) construe and interpret this Plan and all agreements entered into hereunder;
- (c) prescribe, amend and rescind rules and regulations relating to this Plan; and
- (d) make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board shall be binding on all Participants and on their legal, personal representatives and beneficiaries.

(3) An RSU Award shall be evidenced by a restricted share unit grant letter (“RSU Grant Letter”), a form of which is attached as Schedule A to this Plan, signed on behalf of the Company, subject to amendment by the Board from time to time, and which shall specify:

- (a) the number of RSUs subject to the RSU Award to be credited to the Participant’s Account;
- (b) the date of grant of the RSU Award;

- (c) the Vesting Date or Vesting Dates applicable to the RSUs subject to the RSU Award;
- (d) the Settlement Period and Expiry Date applicable to an RSU subject to the RSU Award;
- (e) the nature and duration of the restrictions, if any, to be imposed upon the sale or other disposition of Common Shares acquired upon settlement of the RSU;
- (f) the nature of the events, if any, and the duration of the period in which any Participant's rights in respect of Common Shares acquired upon settlement of an RSU may be forfeited; and
- (g) such other terms, conditions and limitations permitted by and not inconsistent with this Plan as the Board may determine.

(4) No member of the Board (or person acting under delegated authority, nor the Company, will be liable for any action or determination taken or made in the administration, interpretation, construction or application of this Plan, any RSU Grant Letter or any RSU issued pursuant to this Plan, or otherwise in any way in respect of any Participant's participation in this Plan or the holding or settlement of RSUs.

### **Section 3.2 Compliance with Legislation**

(1) The Plan, the terms of the issue or grant and the settlement of RSUs hereunder and the Company's obligation to sell and deliver Common Shares upon settlement of RSUs shall be subject to all applicable federal, provincial and foreign laws, rules and regulations, the rules and regulations of the Stock Exchange and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Company, be required. The Company shall not be obliged by any provision of the Plan or the grant of any RSU hereunder to issue or sell Common Shares in violation of such laws, rules and regulations or any condition of such approvals.

(2) No RSU shall be granted and no Common Shares issued or sold thereunder where such grant, issue or sale would require registration of the Plan or of Common Shares under the securities laws of any foreign jurisdiction and any purported grant of any RSU or issue or sale of Common Shares hereunder in violation of this provision shall be void.

(3) The Company shall have no obligation to issue any Common Shares pursuant to the Plan unless such Common Shares shall have been duly listed, upon official notice of issuance, with the Stock Exchange. Common Shares issued and sold to Participants pursuant to the settlement of RSUs may be subject to restrictions or limitations on sale or resale under applicable securities laws.

(4) If Common Shares cannot be issued to a Participant upon the settlement of an RSU due to legal or regulatory restrictions, the obligation of the Company to issue such Common Shares under the Plan shall terminate, at no cost to the Company nor obligation to otherwise compensate a Participant in any way.

### **Section 3.3 Miscellaneous**

- (1) Nothing contained herein shall prevent the Board from adopting other or additional compensation arrangements, subject to any required approval.
- (2) Nothing contained in the Plan nor in any RSU granted hereunder shall be deemed to give any Participant any interest or title in or to any Common Shares of the Company or any rights as a Shareholder or any other legal or equitable right against the Company whatsoever other than as set forth in the Plan and pursuant to the settlement of any RSU.
- (3) The Plan does not give any Participant or any employee of the Company or any of its Affiliated Companies, Subsidiary Companies or Controlled Companies the right or obligation to continue to serve as a Consultant, director, officer or employee, as the case may be, of the Company or any of its Affiliated Companies, Subsidiary Companies or Controlled Companies. The awarding of RSUs to any Eligible Person is a matter to be determined solely in the discretion of the Board. The Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Common Shares or any other securities in the capital of the Company or any of its Subsidiary Companies other than as specifically provided for in the Plan.
- (4) The existence of any RSUs shall not affect in any way the right or power of the Company or its Shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Company or to create or issue any bonds, debentures, shares or other securities of the Company or the rights and conditions attaching thereto or to affect the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.
- (5) No fractional Common Shares shall be issued upon the settlement of RSUs granted under the Plan and, accordingly, if a Participant would become entitled to a fractional Common Share upon the settlement of an RSU, or from an adjustment pursuant to Section 5.3(1) such Participant shall only have the right to receive the next lowest whole number of Common Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

## **ARTICLE 4 RESTRICTED SHARE UNITS**

### **Section 4.1 Granting of RSUs**

- (1) Where the Board determines to grant an 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.
- (2) On the grant of an RSU Award, the Company will credit the Participant's Account with the number of RSUs granted to such Participant under the terms of the RSU Award.

(3) The grant of an 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 this Plan.

(4) An Eligible Person may receive an RSU Award on more than one occasion under the Plan and may receive separate RSU Awards on any one occasion.

(5) RSUs granted under this 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.

#### **Section 4.2 Dividends**

(1) Unless the Board determines otherwise, additional RSUs ("Dividend RSUs") will be credited to a Participant's Account where the Company declares and pays a dividend on Common Shares. The number of Dividend RSUs credited to a Participant's Account in connection with the payment of dividends on Common Shares will be based on the actual amount of cash dividends that would have been paid to such Participant had he been holding such number of Shares equal to the number of RSUs credited to the Participant's Account on the date on which cash dividends are paid on the Shares and the Market Price of the Common Shares on the payment date.

(2) Dividend RSUs credited to a Participant's Account shall vest and be settled in the same manner and on the same date as the RSUs to which they relate.

### Section 4.3 Settlement of Restricted Share Units

(1) Subject to the provisions of the Plan and in particular Section 4.4 and Section 5.2 and any vesting limitations imposed by the Board in its sole unfettered discretion 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.

(2) Notwithstanding the foregoing, if the Company elects to issue Common Shares in settlement of RSUs:

- (a) 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
- (b) 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
- (c) 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.

(3) Subject to the terms of the Plan, as soon as practicable after receipt of any of the amount, undertaking or election listed in Section 4.3(2), the Company will forthwith cause the transfer agent and registrar of the Common Shares to deliver to the Participant a certificate or certificates in the name of the Participant or a statement of account, at the discretion of the Company, representing in the aggregate Common Shares issued to the Participant.

(4) Notwithstanding any other provision of the Plan:

- (a) no RSU shall be capable of settlement after the Expiry Date; provided, however, that if the Expiry Date in respect of an RSU falls on, or within nine (9) Business Days immediately following, a date upon which such Participant is prohibited from exercising such RSU due to a Black-Out Period or other trading restriction imposed by the Company, then the Expiry Date of such RSU shall be automatically extended to the tenth (10th) Business Day following the date the relevant Black-Out Period or other trading restriction imposed by the Company is lifted, terminated or removed. The foregoing extension applies to all RSUs

regardless of the date of grant and shall not be considered an extension of the term thereof as otherwise referred to in the Plan;

- (b) the Settlement Period shall be automatically reduced in accordance with Section 4.4 upon the occurrence of any of the events referred to therein; and
- (c) no RSU in respect of which Shareholder approval is required under the rules of the Stock Exchange shall be settled until such time as such RSU has been so approved.

#### **Section 4.4 Termination of Service**

(1) Except as otherwise determined by the Board:

- (a) 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;
- (b) 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;
- (c) 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 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;
- (d) 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;

- (e) a Participant's eligibility to receive further grants of RSUs under this 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
- (f) for the purposes of the 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.

#### **Section 4.5 Non-transferability of RSUs**

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.

#### **Section 4.6 Hold Period**

Pursuant to Stock Exchange Policies, where a hold period is applicable, the RSU Grant Letter will include a legend stipulating that the RSU Award is subject to a four-month hold period commencing from the date of grant of the RSU Award.

### **ARTICLE 5 TERMINATION, AMENDMENTS AND ADJUSTMENTS**

#### **Section 5.1 Amendment and Termination**

- (1) The Board may amend, suspend or terminate the Plan or any portion thereof at any time in accordance with applicable law, and subject to any required regulatory approval.
- (2) No such amendment, suspension or termination shall alter or impair any RSUs or any rights pursuant thereto granted previously to any Participant without the consent of such Participant.
- (3) If the Plan is terminated, the provisions of the Plan and any administrative guidelines, and other rules and regulations adopted by the Board and in force at the time of the Plan termination shall continue in effect during such time as an RSU or any rights pursuant thereto remain outstanding.
- (4) With the consent of the affected Participant, the Board may amend or modify any outstanding RSU in any manner to the extent that the Board would have had the authority to



initially grant such award as so modified or amended, including without limitation, to change the date or dates as of which the RSU becomes exercisable, subject to the prior approval of the Stock Exchange where necessary.

### **Section 5.2 Change of Control**

(1) Notwithstanding any other provision of this Plan, in the event of an actual or potential Change of Control Event, the Board may, in its discretion, without the necessity or requirement for the agreement or consent of any Participant: (i) accelerate, conditionally or otherwise, on such terms as it sees fit, the vesting date of any RSU; (ii) permit the conditional settlement of any RSU, on such terms as it sees fit; (iii) otherwise amend or modify the terms of the RSU, including for greater certainty permitting Participants to settle any RSU, to assist the Participants to tender the underlying Common Shares to, or participate in, the actual or potential Change of Control Event or to obtain the advantage of holding the underlying Common Shares during such Change of Control Event; and (iv) terminate, following the successful completion of such Change of Control Event, on such terms as it sees fit, the RSUs not settled prior to the successful completion of such Change of Control Event, including, without limitation, for no payment or other compensation.

The determination of the Board in respect of any such Change of Control Event shall for the purposes of this Plan be final, conclusive and binding.

### **Section 5.3 Adjustments**

(1) If there is a change in the outstanding Common Shares by reason of any stock dividend or split, recapitalization, amalgamation, consolidation, combination or exchange of shares, or other corporate change, the Board shall make, subject to the prior approval of the Stock Exchange where necessary, appropriate substitution or adjustment in

- (a) the number or kind of Common Shares or other securities reserved for issuance pursuant to the Plan, and
- (b) the number and kind of Common Shares or other securities subject to unsettled and outstanding RSUs granted pursuant to the Plan;

provided, however, that no substitution or adjustment shall obligate the Company to issue fractional RSUs or Common Shares.

(2) If the Company is reorganized, amalgamated with another Company or consolidated, the Board shall make such provisions for the protection of the rights of Participants as the Board in its discretion deems appropriate.

## **ARTICLE 6 GENERAL**

### **Section 6.1 Effective Date**

The Plan shall be effective upon the approval of the Plan by the Board.

## **Section 6.2 Notice**

Any Notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid, or delivered by courier or by facsimile transmission addressed, if to the Company, to the operations office of the Company in Vancouver, British Columbia, Attention: Corporate Secretary; or if to a Participant, to such Participant at his address as it appears on the books of the Company or in the event of the address of any such Participant not so appearing, then to the last known address of such Participant; or if to any other person, to the last known address of such person.

## **Section 6.3 Tax Withholdings**

The Company shall be entitled to withhold such number of Common Shares or amount of cash payable to a Participant, either under this Plan or otherwise, or make such other arrangement as are contemplated under Section 4.3(2), as it may deem necessary or advisable so as to ensure that the Company is in compliance with the applicable provisions of any federal, provincial or local law relating to the withholding or remittance of tax or other relevant amounts. It is the responsibility of the Participant to complete and file any tax returns which may be required within the periods specified under applicable laws as a result of the Participant's participation in the Plan. The Company shall not be responsible for any tax consequences to a Participant as a result of the Participant's participation in the Plan.

## **Section 6.4 Rights of Participants**

No person entitled to settle any RSU granted under this Plan shall have any of the rights or privileges of a Shareholder in respect of any Common Shares issuable upon settlement of such RSU until such Common Shares have been issued to such person.

## **Section 6.5 Right to Issue Other Shares**

The Company shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further Common Shares, varying or amending its share capital or corporate structure or conducting its business in any way whatsoever.

## **Section 6.6 Successors and Assigns**

The Plan shall be binding on all successors and assigns of the Company and a Participant, including without limitation, the legal representatives of such Participant or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

## **Section 6.7 Funding of the Plan**

The Plan shall be unfunded. No funds will be set aside to guarantee the payment of RSUs, which will remain an unfunded liability recorded on the books of the Company.

**SCHEDULE A**

**RESTRICTED SHARE UNIT GRANT LETTER**

TO: [Name of Participant]

Dear ●

**Algernon Pharmaceuticals Inc.** (the “**Company**”) hereby confirms a grant of restricted share units (“**RSU Units**”) to ● (the “**Participant**”) (as defined in the Company’s Restricted Share Unit Plan (the “**RSU Plan**”) described in the table below pursuant to the Company’s RSU Plan.

This grant is made pursuant to the terms and conditions of the Company’s RSU Plan, as amended from time to time, and is incorporated herein by reference and made a part of this letter agreement. Each RSU Unit granted to the Participant named herein represents the right of the Participant to receive one Common Share in the share capital of the Company on the date(s) or pursuant to the terms specified below. Capitalized terms not otherwise defined herein shall have the same meanings as in the RSU Plan.

No. of RSU Units	Grant Date	Expiry Date

*[include any specific/additional vesting period or other conditions]*

**The Company and the undersigned Participant hereby confirms that the undersigned Participant is a bona fide Director, Officer, Consultant, or Employee as the case may be.**

**DATED** \_\_\_\_\_, 20\_\_\_\_.

**ALGERNON PHARMACEUTICALS INC.**

Per: \_\_\_\_\_  
Authorized Signatory

The undersigned hereby accepts such grant, acknowledges being a Participant under the RSU Plan, agrees to be bound by the provisions thereof and agrees that the RSU Plan will be effective

as an agreement between the Company and the undersigned with respect to the RSU Units granted or otherwise issued to him/her/it.

**DATED** \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Participant's Signature

\_\_\_\_\_  
Name of Participant (*print*)

**OR**

*[NAME OF COMPANY PARTICIPANT]*

By:

\_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Name of Authorized Signatory