This Amendment No. 1 to Draft Registration Statement is confidentially submitted to the U.S. Securities and Exchange Commission pursuant to Section 106(a) of the Jumpstart Our Business Startups Act of 2012 on January 21, 2022 and is not being filed publicly under Securities Act of 1933, as amended.

Registration No. [●]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-1/A

(Amendment No. 1)
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

ALGERNON PHARMACEUTICALS INC.

(Exact name of registrant as specified in its charter)

British Columbia	**2834**	**N/A**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Suite 915 - 700 West Pender Street
Vancouver, British Columbia, Canada, V6C 1G8
Telephone: (604) 398-4175 ext. 701
(Address of principal executive offices, including zip code, and telephone number, including area code)

Corporation Service Company
19 West 44th Street, Suite 200
New York, NY 10036
Tel: 1-800-927-9800
(Name, address, including zip code, and telephone number, including area code, of agent of service)

Copies to:

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New York, New York 10105
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933. Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price[1]	Amount of registration fee
Units, each unit consisting of one common share, no par value, and [●] warrant, each to purchase one common share[3][4]	$[●]	$[●]
Class A Common Shares included in the units[4]	-[5]	-[5]
Warrants included in the units[4]	-[5]	-[5]
Class A Common Shares underlying the Warrants included in the units (at an exercise price of [●]% of the price of the units)[4]	$[●]	$[●]
Warrants to be issued to the Representative	-[5]	-[5]
Class A Common Shares underlying Warrants to be issued to the Representative[4][6]	$[●]	$[●]
	$[●]	$[●][2]

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933 (the "**Securities Act**").
(2) The registration fee is calculated in accordance with Rule 457(o) under the Securities Act.
(3) Includes units that may be purchased by the underwriters pursuant to their option to purchase additional units to cover over-allotments.
(4) Pursuant to Rule 416 under the Securities Act, there are also being registered such indeterminate number of additional securities as may be issued to prevent dilution resulting from share splits, share dividends or similar transactions.
(5) No registration fee required pursuant to Rule 457(g).
(6) We have agreed to issue to Ladenburg Thalmann & Co. Inc., as representative (the "**Representative**") of the underwriters in this offering, warrants (the "**Compensation Warrants**") that are immediately exercisable at an exercise price of US$[●], representing up to 5.0% of the Common Shares (as defined herein) included in the units issued in the offering. Resales of the Compensation Warrants on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, as amended, are registered hereby. Resales of Common Shares issuable upon exercise of the Compensation Warrants (the "**Compensation Warrant Shares**") are also being similarly registered on a delayed or continuous basis hereby. See "*Underwriting*".

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

Subject to Completion: Preliminary Prospectus Dated [●], 2022

Units, each consisting of one Common Share and [●] Warrant to purchase one Common Share

(and Common Shares underlying the Warrants)

$[●]

ALGERNON PHARMACEUTICALS INC.

[●] Units

This prospectus relates to an underwritten public offering of [●] units of Algernon Pharmaceuticals Inc., each unit consisting of [●] Class A Common Shares (the "**Common Shares**") and [●] warrants (the "**Warrants**"), based on the last reported price of our Common Shares as reported on the OTC Market Group Inc.'s Venture Market (the "**OTCQB**") on [●], 2022, which was $[●] per Common Share. Each Warrant will entitle the holder to purchase one Common Share at an exercise price of [●]% of the price of the units in this offering, or US$[●] per share. The Warrants will expire [●] years after the date they are issued. The units will not be issued or certificated. Instead, the Common Shares and the Warrants underlying the units will be issued separately and may be resold separately, although they will have been purchased together in this offering. We will sell these units at a public offering price of US$[●] per unit.

Our Common Shares are quoted on the OTCQB, and listed for trading on the Canadian Securities Exchange (the "**CSE**") and the Frankfurt Stock Exchange (the "**XFRA**") under the symbols "AGNPF", "AGN" and "AGW", respectively. On January 20, 2022, the closing price of our Common Shares was US$7.90, CAD$9.50 and €6.66 respectively. As of January 20, 2022, the last reported sales price of our Common Shares on the OTCQB was US$7.90 per share, and on January 20, 2022 we had 1,674,868 Common Shares outstanding. We intend on applying to have our Common Shares and Warrants listed on the Nasdaq Capital Market under the symbols "[●]" and "[●]", respectively, which listing is a condition to this offering. Our application might not be approved. There is no established public trading market for the Warrants included in the units, and such a market might never develop.

We completed a 100-for-1 reverse stock split on November 23, 2021. All share and per share information in this prospectus, including the financial statements and the notes thereto, has been adjusted to reflect this reverse stock split.

We are an "emerging growth company" as defined in section 3(a) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and are therefore eligible for certain exemptions from various reporting requirements applicable to reporting companies under the Exchange Act. (See "*Exemptions Under The Jumpstart Our Business Startups Act*")

	Per Unit	Total[1]
Public offering price[2]	US$[●]	US$[●]
Underwriters' discounts and commissions[2][3]	US$[●]	US$[●]
Proceeds to us, before expenses[4]	US$[●]	US$[●]

(1) Assumes that the underwriters do not exercise any portion of their over-allotment option.
(2) The public offering price and underwriting discount in respect of each unit corresponds to a public offering price per Common Share of US$[●] and a public offering price per Warrant of US$[●].
(3) We will pay the underwriters a cash success fee of 8.0% of the total gross proceeds of the offering. In addition, we will pay a management fee to the Representative of 1.0% of the gross proceeds, which is not included in this table. See "*Underwriting*" in this prospectus for more information regarding our arrangements with the underwriters. This table sets out the maximum possible underwriting discounts and commissions.

(4) The total estimated expenses related to this offering are set forth in the section entitled "*Expenses Relating To This Offering*".

In addition to the fees discussed above, we have agreed to issue to Ladenburg Thalmann & Co. Inc., as representative (the **Representative**") of the underwriters in this offering, Compensation Warrants to purchase up to a total of [●] Common Shares (which final amount shall be equal to 5.0% of the Common Shares sold in this offering) assuming a public offering price of $[●] per unit, which is the last reported price of our Common Shares on the OTCQB on [●], 2022. The Compensation Warrants will be immediately exercisable from time to time, in whole or in part, commencing on the date of issuance and expiring [●] years from the commencement of sales of this offering. The Compensation Warrants are exercisable at a per share price of US$[●]. The Compensation Warrants are also exercisable on a cashless basis. We also have agreed to reimburse the Representative for certain of its out-of-pocket expenses. See "*Underwriting*" for a description of these arrangements.

We expect our total cash expenses for this offering to be approximately US$[●]. The underwriters have agreed to purchase the units from us on a firm commitment basis. The underwriters have an option exercisable within [●] days from the date of this prospectus to purchase up to [●] additional Common Shares and/or [●] additional Warrants from us at the public offering price, less the underwriting discounts and commissions, solely to cover over-allotments, assuming a public offering price of $[●] per unit, which is the last reported sale price of our Common Shares on the OCTQB on [●], 2022.

The underwriters expect to deliver the Common Shares and Warrants against payment in U.S. dollars in New York, New York on or about [●], 2022.

In reviewing this prospectus you should carefully consider the matters described under the caption "Risk Factors" beginning on page 11. This investment involves a high degree of risk. You should purchase units only if you can afford a complete loss.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Canadian and United States federal governments regulate drugs through the Controlled Drugs and Substances Act (Canada) (the "CDSA") and the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), respectively, which place controlled substances in a schedule. Under the CDSA, *N,N* Dimethyltryptamine ("DMT") is currently a Schedule III drug. The CDSA generally prohibits all uses of controlled substances unless an exemption is granted under section 56 of the CDSA or the regulations allow otherwise. The Minister of Health can grant exemptions under section 56 of the CDSA to use controlled substances if it is deemed to be necessary for a medical or scientific purpose or is otherwise in the public interest. Under the CSA, DMT is currently a Schedule I drug. Health Canada and the United States Food and Drug Administration (the "FDA") have not approved DMT as a drug for any indication. If the Company is found to be in violation of the CSA or any of the requirements of the United States Drug Enforcement Administration (the "DEA"), the DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to revoke any registrations once granted, which could have a material adverse effect on the Company's business, operations and financial condition. Certain states of the United States also maintain separate controlled substance laws and regulations, including licensing, recordkeeping, security, distribution, and dispensing requirements. State authorities, including boards of pharmacy, regulate use of controlled substances in each state. Failure to maintain compliance with applicable requirements, particularly as manifested in the loss or diversion of controlled substances, can result in enforcement action that could have a material adverse effect on the Company's business, operations and financial condition.

In the United States, DMT is classified as Schedule I drug under the CSA and the Controlled Substances Import and Export Act (the "CSIEA") and as such, medical and recreational use is illegal under the United States federal laws. The Company's program involving a Schedule I drug is conducted in strict compliance with the laws and regulations regarding the production, storage and use of Schedule I drugs. As such, all facilities engaged with such substances by or on behalf of the Company do so under current licenses and permits issued by appropriate federal, state and local governmental agencies. The Company does not advocate for the legalization of psychedelic substances and does not deal with psychedelic substances except within laboratory or clinical trial settings conducted within approved regulatory frameworks. The Company currently sponsors and works with licensed third parties in the United States to conduct any clinical trials and research relating to psychedelics and currently does not handle controlled or restricted substances under the CDSA or CSA. If the Company were to conduct this work without reliance on third parties, it would need to obtain the required licenses, approvals and authorizations from Health Canada, the FDA or other applicable regulatory bodies. The Company does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. It is a criminal offence to possess substances under the CDSA and the CSA without a prescription.

In the United States, the Company's activities are potentially subject to additional regulation by various federal, state, and local authorities in addition to the FDA, including, among others, the Centers for Medicare and Medicaid Services, other divisions of Health and Human Services, or HHS, (for example, the Office of Inspector General), the Department of Justice, and individual U.S. Attorney offices within the Department of Justice, and state and local governments. In addition, all psychedelic research being conducted must have authorization by the DEA. In Canada, the Company's activities are potentially subject to additional regulation by various federal and provincial authorities, including, among others, Health Canada.

Although the Company is in compliance with all applicable laws (and intends to continue to comply), there can be no assurance that new laws, regulations, and guidelines will not be enacted, or that existing or future laws and regulations will not be changed. Any introduction of new (or changes to existing) laws, regulations, and guidelines, or other unanticipated events could, among other things, (a) require the Company to implement extensive changes to its operations (which could, among other things increase compliance costs, and give rise to material liabilities), and (b) subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities.

Sole Book-Running Manager

Ladenburg Thalmann

The date of this Prospectus is January [●], 2022

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You should rely only on the information contained in this prospectus, any amendment or supplement to this prospectus or any free writing prospectus prepared by or on our behalf. Neither we, nor the underwriters have authorized any other person to provide you with different or additional information. Neither we, nor the underwriters, take responsibility for, nor can we provide assurance as to the reliability of, any other information that others may provide. The underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus or such other date stated in this prospectus, and our business, financial condition, results of operations and/or prospects may have changed since those dates.

Except as otherwise set forth in this prospectus, neither we nor the underwriters have taken any action to permit a public offering of these securities outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of these securities and the distribution of this prospectus outside the United States.

Unless the context otherwise requires, in this prospectus, the term(s) "we", "us", "our", "Company", "our company", "Algernon" and "our business" refer to Algernon Pharmaceuticals Inc.

We completed a 100-for-1 reverse stock split in connection with our application to list on the Nasdaq Capital Market.

PRESENTATION OF FINANCIAL INFORMATION

The Company reports under International Financial Reporting Standards as issued by the International Accounting Standards Board, referred to as "IFRS". None of the financial statements were prepared in accordance with generally accepted accounting principles in the United States. The Company presents its financial statements in Canadian dollars.

CURRENCY AND EXCHANGE RATES

All dollar amounts in this prospectus are expressed in Canadian dollars unless otherwise indicated. Our accounts are maintained in Canadian dollars, and our financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. All references to "U.S. dollars", "USD", or to "US$" are to United States dollars.

The following table sets forth, for each period indicated, the high and low exchange rate for U.S. dollars expressed in Canadian dollars, and the average exchange rate for the periods indicated. Averages for year-end periods are calculated by using the exchange rates on the last day of each full month during the relevant period. These rates are based on the noon-buying rate certified for custom purposes by the U.S. Federal Reserve Bank of New York set forth in the H.10 statistical release of the Federal Reserve Board. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in preparation of our consolidated financial statements, pro forma financial statements or elsewhere in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you. We make no representation that any Canadian dollar or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or Canadian dollars, as the case may be, at any particular rate or at all.

Year Ended	**Period End**	**Period Average Rate**	**High Rate**	**Low Rate**
August 31, 2021	$1.2629	$1.3075	$1.4539	$1.2031
August 31, 2020	$1.3034	$1.3461	$1.4539	$1.2962
Last Six Months				
December 2021	$1.2777	$1.2796	$1.2941	$1.2651
November 2021	$1.2812	$1.2567	$1.2812	$1.2355
October 2021	$1.2397	$1.2434	$1.2657	$1.2328
September 2021	$1.2672	$1.2667	$1.2818	$1.2524
August 2021	$1.2629	$1.2599	$1.2853	$1.2487
July 2021	$1.2466	$1.2530	$1.2752	$1.2346

Certain conversions from U.S. dollars into Canadian dollars have been made for your convenience at US$1.00 = $1.2777, the noon-buying price on (December 31, 2021).

MARKET, INDUSTRY AND OTHER DATA

Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the sections entitled "*Risk Factors*", "*Special Note Regarding Forward Looking Statements*", and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and us.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains statements that constitute "forward-looking statements". Any statements that are not statements of historical facts may be deemed to be forward-looking statements. These statements appear in a number of different places in this prospectus and, in some cases, can be identified by words such as "anticipates", "estimates", "projects", "expects", "contemplates", "intends", "believes", "plans", "may", "will", or their negatives or other comparable words, although not all forward-looking statements contain these identifying words. Forward-looking statements in this prospectus may include, but are not limited to, statements and/or information related to:

- uncertainties with respect to the effects of COVID-19 will directly and indirectly have on the Company;
- the Company's plans to develop, obtain regulatory approval for and commercialize its lead product candidates;
- the Company's ability to conduct successful clinical trials for its product candidates;
- the perceived benefits of the Company's product candidates over other treatments for NASH (as defined herein), IBS (as defined herein) and CKD (as defined herein);
- the Company's expectations regarding its revenue, expenses and research and development operations;
- the Company's anticipated cash needs and its need for additional financing;
- the Company's intention to grow the business and its operations;
- expectations with respect to future production costs and capacity;
- expectations regarding the Company's growth rates and growth plans and strategies;
- expectations with respect to the approval of the Company's license applications;
- the Company's ability to expand into international markets;
- the potential size of markets for the Company's product candidates;
- the Company's ability to partner with other pharmaceutical companies to develop, obtain regulatory approval and commercialize its product candidates;
- expectations regarding regulatory requirements and developments for its product candidates;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's expected business objectives for the next twelve months;
- the Company's plans with respect to the payment of dividends;
- the Company's ability to obtain additional funds through the sale of equity or debt commitments; and
- the ability of the Company's products to access markets.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the Company's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this Prospectus, the Company has made various material assumptions, including but not limited to, the following: (i) the Company obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; (ix) the maintenance of the Company's current good relationships with its suppliers, service providers and other third parties; (x) financial results, future financial position and expected growth of cash flows; (xi) business strategy, including budgets, projected costs, projected capital expenditures, taxes, plans, objectives, potential synergies and industry trends; (xii) research and development; (xiii) expectations concerning the size and growth of the global medical technology market; and (xiv) the effectiveness of the Company's products compared to its competitors' products. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include:

Risks related to our business and industry:

- violations of laws and regulations could result in repercussions, and psychedelic inspired drugs may never be approved as medicines;
- reliance on third parties for research;
- regulatory approval risk;
- psychedelic regulatory risks;
- decriminalization of psychedelics;
- enforcing contracts;
- unfavourable publicity or consumer perception;
- the psychedelic therapy industry is difficult to quantify and investors will be reliant on their own estimates of the accuracy of market data;
- success of our business depends in part upon our ability to identify, license or discover additional product candidates;
- none of the Company's product candidates have to date received regulatory approval for their intended commercial sale;
- failure to follow regulatory requirements;
- we could be adversely affected if we do not adequately protect our intellectual property rights;
- our clinical trials for each product candidate may fail to adequately demonstrate the safety and efficacy of that candidate, which could force us to abandon our product development plans for that product candidate;
- pre-clinical and clinical trials will be lengthy and expensive;
- we may be required to suspend or discontinue clinical trials because of adverse side effects or other safety risks that could preclude approval of its drug candidates;
- we may face product liability exposure, which, if not covered by insurance, could result in significant financial liability;
- in light of the Company's current resources and limited experience, it may need to establish successful third party relationships to successfully commercialize its future product candidates;
- rapid technological change;
- there can be no assurance that contractual arrangements or other steps taken by us to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or to deter independent third-party development of similar technologies;
- other companies may claim that we infringe their intellectual property, which could have a material adverse effect upon our business, prospects, results of operations and financial condition;
- it is difficult and costly to protect our proprietary rights, and we may not be able to ensure their protection. If our patent position does not adequately protect our product candidates, others could compete against us more directly, which would harm our business, possibly materially;
- even if patents are issued based on patent applications to which we have filed or have been granted a license, because the patent positions of pharmaceutical products are complex and uncertain, we cannot predict the scope and extent of patent protection for our product candidates;
- obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and patent protection could be reduced or eliminated for noncompliance with these requirements;
- the life of patent protection is limited, and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly with us after the patent licensed to us expires, which could materially and adversely affect our ability to commercialize our products and technologies;
- we may infringe the intellectual property rights of others, which may prevent or delay our product development efforts and stop us from commercializing or increase the costs of commercializing our product candidates;
- we may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful;
- if we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and product could be significantly diminished;
- we may be subject to claims that our employees or consultants have wrongfully used or disclosed alleged trade secrets;
- our intellectual property may not be sufficient to protect our product candidates from competition, which may negatively affect our business as well as limit our partnership or acquisition appeal;

General Risk Factors:

- return on investment is not guaranteed;

- negative cash flow from operations;
- ongoing impact of COVID-19;
- limited operating history;
- going concern risk;
- additional financing needs;
- the market price of the Common Shares may be subject to wide price fluctuations;
- litigation risks;
- there may be larger, better financed companies which may become competition for the Company;
- reliance on management;
- dividends;
- limited market for securities;
- permits and licenses;
- uninsurable risks;
- the lack of product commercialization;
- the lack of experience of the Company/management in marketing, selling and distributing products;
- risks associated with future acquisitions;
- difficulty to forecast;
- conflicts of interest;
- global economy risk;
- difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under the laws of the Province of British Columbia, a substantial portion of our assets are in Canada and all of our executive officers and most of our directors reside outside the United States;
- our consolidated financial statements contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern, which could prevent us from obtaining new financing on reasonable terms or at all;
- volatility in the Common Shares or Warrant price may subject the Company to securities litigation;
- because the SEC imposes additional sales practice requirements on brokers who deal in securities that are deemed penny stocks, some brokers may be unwilling to trade in the Company's securities meaning that you may have difficulty reselling your Common Shares and Warrants, which may cause the value of your investment to decline;
- FINRA sales practice requirements may limit your ability to buy and sell the Common Shares and Warrants which could depress the price of the Common Shares and Warrants;
- you may face significant restrictions on the resale of your Common Shares and Warrants due to state "blue sky" laws;
- we have broad discretion in the use of the net proceeds from this offering and may not use them effectively;
- the Company is a foreign private issuer within the meaning of the rules of the Exchange Act, and as such it is exempt from certain provisions applicable to United States domestic public companies;
- if we are a "passive foreign investment company", U.S. investors may be subject to adverse U.S. federal income tax consequences;
- no existing trading market (other than for the Common Shares);
- future sales may affect the market price of the Common Shares;
- as an "emerging growth company" under applicable laws, the Company will be subject to lessened disclosure requirements, such reduced disclosure may make the Common Shares or Warrants less attractive to investor;
- costs as a result of being a public company;
- holders of our Warrants will have no rights as a common shareholder until they acquire our Common Shares;
- the Warrants are speculative in nature;
- we will incur significant increased costs as a result of our securities trading on Nasdaq;
- Nasdaq may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions;
- you will experience immediate dilution in book value of any Common Shares you purchase; and
- the exercise of Warrants offered hereby will cause significant dilution to holders of our equity securities.

Although management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Forward-looking statements might not prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. We wish to advise you that these cautionary remarks expressly qualify, in their entirety, all forward-looking statements attributable to our company or persons acting on our company's behalf. We do not undertake to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such statements, except as, and to the extent required by, applicable securities laws. You should carefully review the cautionary statements and risk factors contained in this prospectus and other documents that we may file from time to time with the securities regulators.

PROSPECTUS SUMMARY

The following summary highlights, and should be read in conjunction with, the more detailed information contained elsewhere in this prospectus. You should read carefully the entire document, including our historical and pro forma financial statements and related notes, to understand our business, the units, the Common Shares, the Warrants and the other considerations that are important to your decision to invest in the offering. You should pay special attention to the "*Risk Factors*" section beginning on page 12. Unless otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' over-allotment option.

All references to "$" or "dollars", are expressed in Canadian dollars unless otherwise indicated.

Our Company

Algernon Pharmaceuticals Inc. ("**Algernon**" or the "**Company**") is a clinical stage drug re-purposing company that investigates safe, already approved drugs, and naturally occurring compounds, for new disease applications, moving them efficiently and safely into new human trials, developing new formulations and seeking new regulatory approvals. The Company specifically investigates compounds that have never been approved in the U.S. or Europe to avoid off label prescription writing. Off label prescription writing can interfere with the normal economic pricing models and revenue potential of newly approved drug treatments and may make them less attractive targets for licensing or acquisition.

Algernon's drug discovery program is based on the concept of drug repurposing. Drug repurposing is the process of discovering new therapeutic uses for existing drugs. Repurposing offers several benefits over traditional drug development including a reduction in investment and risk, shorter research periods and as a result, a longer active patent life.

*Clinical Pipeline**

Candidate	**Indication**	**Development Stage**				
		Preclinical	Phase 1	Phase 2	Phase 3	Regulatory Review
Inflammatory disorders						
NP-120	Idiopathic Pulmonary Fibrosis & Chronic Cough					
NP-251	Chronic Kidney Disease					
Cerebrovascular disorders						
AP-188	Stroke					
Oncology						
NP-120	Pancreatic Cancer					
NP-120	Small Cell Lung Cancer					

*** In addition to the above, the Company is considering repurposing additional drug candidates currently in the preclinical stage**

Drug Compound Legend

NP-120 ("**Ifenprodil**")

Ifenprodil is an N-methyl-D-aspartate (NMDA) receptor antagonist specifically targeting the NMDA-type subunit 2B (GluN2B). Ifenprodil prevents glutamate signalling. The NMDA receptor is found on many tissues including lung cells, T-cells, and neutrophils.

Ifenprodil was developed in France and introduced into the Japanese market in 1982 by a global pharmaceutical company.

AP-188 ("**DMT**")

DMT also known as *N,N*-Dimethyltryptamine, is a known psychedelic compound that is part of the tryptamine family (other drugs in the tryptamine family include psilocybin and psilocin). DMT occurs naturally in many plant species and animals and has been used in religious ceremonies as a traditional spiritual medicine by indigenous people in the Amazonian basin. DMT can also be synthesised in a laboratory.

NP-251

NP-251 was developed in Japan and approved in 1987. NP-251 is no longer available in Japan where it was initially approved as an anti-allergy medication. It was withdrawn from the market in 2014 for sales reasons.

Intellectual Property

With the exception of DMT, all of the Company's lead compounds are older than 20 years and the original composition of matter patents have expired. Since DMT is naturally occurring, a composition of matter patent was never filed. In order to build an intellectual property position around its discoveries, Algernon has filed new method of use patents for each of its lead compounds in the above stated disease areas, in addition to dosing and formulation patents. For example, and as it pertains to the treatment of kidney diseases, the Company is the owner of United States patent application 17/255,364 (published as United States publication number 2021/0260000) and its related counterpart applications in Canada, China, the European Union, and Japan, Where Algernon deemed it necessary, the Company has also filed patent applications in respect of chemical modifications and derivatives of certain of its lead compounds (see, for example, international patent applications PCT/CA2020/050407, PCT/CA2020/050408, and PCT/CA2020/050409).

The Company signed a license agreement with Dartmouth College for the rights to U.S. Pat. No. 9,084,775 that covers, methods for diagnosing and treating neuroendocrine cancer, specific to NMDA receptors. This exclusive agreement gives the Company control over the intellectual property licensed, provided Dartmouth and the U.S. government retain certain rights. The agreement provided for an upfront payment, along with milestones and royalties in the event the drug is commercialized within the United States prior to the expiry of the patent.

Incorporation

The Company was incorporated pursuant to the laws of the Province of British Columbia, Canada, on April 10, 2015 as "PBA Acquisitions Corp.", a wholly-owned subsidiary of Petro Basin Energy Corp. ("**Algernon Parent**"). On July 23, 2015, the Company changed its name to "Breathtec Biomedical, Inc.". The Company entered into an arrangement agreement with Algernon Parent and the plan of arrangement was completed on September 23, 2015. On February 19, 2019, the Company changed its name to "Algernon Pharmaceuticals Inc.". The Company has an August 31, fiscal year end. As of August 31, 2021, the Company had 1,674,868 Common Shares outstanding.

The Company's principal executive offices are located at Suite 915 - 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8. Our telephone number is (604) 398-4175 ext 701. The Company's website address is http://algernonpharmaceuticals.com. Information on our website does not constitute part of this Prospectus. The Company's registered and records office is located at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Implications of Being a Foreign Private Issuer

We are considered a foreign private issuer as defined in Rule 3b-4(c) under the U.S. Securities Exchange Act of 1934, as amended or the Exchange Act. In our capacity as a foreign private issuer, we are exempt from certain rules under the Exchange Act that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our securities. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. In addition, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information.

We may take advantage of these exemptions until such time as we are no longer a foreign private issuer. We would cease to be a foreign private issuer at such time as more than 50% of our outstanding voting securities are held by U.S. residents and any of the following three circumstances applies: (i) the majority of our executive officers or directors are U.S. citizens or residents, (ii) more than 50% of our assets are located in the United States or (iii) our business is administered principally in the United States.

We have taken advantage of certain reduced reporting and other requirements in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold equity securities.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the "**JOBS Act**". An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- the ability to include only two years of audited financial statements and only two years of related management's discussion and analysis of financial condition and results of operations disclosure; and
- an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002.

We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than US$1.07 billion in annual revenue, have more than US$700 million in market value of our Common Shares held by non-affiliates or issue more than US$1 billion of non-convertible debt over a three-year period.

Strategy

The Company is engaged in advancing (i) Ifenprodil into phase II clinical trials for the global disease areas of IPF and Chronic Cough, and into phase I clinical trials for the global disease areas of pancreatic and small cell lung cancer, (ii) DMT to start phase I clinical trials for the global disease area of stroke, and (iii) NP-251 to complete preclinical trials and to start phase I clinical trials for the global disease of CKD.

The compounds being advanced by the Company have all been tested in disease-specific pre-clinical*in vivo* animal research studies, using either the leading approved drug for the indication or an advanced clinical candidate as a positive control in cases where no appropriate approved drug was available. Only candidates which showed equal or better efficacy than the positive controls in these animal studies were considered for advancement. The Company is currently conducting a Phase II study in Australia in idiopathic pulmonary fibrosis and chronic cough, and early in 2021 completed a phase II study in COVID-19; the Company's other programs have yet to begin human trials for the Company's target indications.

Algernon's business strategy is to advance a number of its lead compounds into human clinical trials as efficiently and as cost-effectively as possible by leveraging the currently existing regulatory approval and finished product supply in the country of origin where the drugs were originally approved. Conducting off label phase II trials in the drugs' currently approved market would save the Company from having to synthesize the compounds and conduct all of the preclinical toxicology work. This additional work would in comparison, add significant time and costs to the Company's development timeline and budget.

Under some conditions, if a repurposed drug is being currently manufactured, it may be possible to access this supply in order to conduct early-stage clinical trials, so that the Company may not need to manufacture its own supply. However, there may be other conditions where the Company may also choose to engage in its own manufacture. This would include conducting multiple trials for different diseases with the same lead compound. A final decision will be made on which compounds, diseases and locations will be included in the phase II trials once all of the feasibility studies are completed.

The Company is planning to conduct a minimum of two phase II clinical trials simultaneously in order to improve the Company's potential of success. Ensuring the Company is not conducting and relying on a single phase II clinical trial is key part of the current strategy. In the United States, the regulatory pathway is well established. A high-level synopsis of the process is as follows: (i) preclinical research in animals establishes toxicity and animal efficacy; synthesis and formulation are also characterized - this process takes between 3-8 years; (2) following preclinical work, an Investigational New Drug application ("**IND**") is filed, allowing use of the drug candidate in humans; (3) Phase 1 first in human studies establish safety, pharmacokinetics and preliminary dose information and takes approximately one year - these Phase 2 studies test the drug for safety in the target population and provide early efficacy signals - one to two years is typical, and multiple phase 2 studies may be required; (4) Phase 3 studies are large and used to support registration, and provide confirmation of efficacy as well as safety - these phase 3 studies can take multiple years to complete; and (5) following completion of clinical work, a New Drug Application (NDA) is filed; after one year review, marketing authorization may be granted. All new chemical entities must follow this path. See chart on page 35 for more details.

Subject to the success of the phase II trials, the Company plans to engage in licensing, partnership and or acquisition (as the target) discussions with a number of larger pharmaceutical partners. If for whatever reason, a partnership, license or acquisition opportunities do not materialize, the Company will explore moving all successful phase II compounds forward into phase III clinical trials.

At present, the Company does not plan to develop a sales team to advance the marketing sales and distribution of any of its lead compounds if such compounds achieve regulatory approval in any given market. The Company's strategy is to look for moments of inflection where the potential exists to be able to consummate the best possible licensing, partnership or acquisition transaction.

Recent Developments

There have been no material developments in the Company's business since [●], 2022 the date of this Prospectus, which have not been disclosed in this Prospectus.

OFFERING SUMMARY

Units Offered:	[●] units (excluding the over-allotment discussed below), based on the last reported price of our Common Shares as reported on the OTCQB on [●], 2022, which was US$[●] per share.
Separability of Common Shares and Warrants:	The units will not be issued or certificated. Instead, the Common Shares and the Warrants underlying the units will be issued separately and may be resold separately, although they will have been purchased together in this offering.
Shares Offered:	[●] Common Shares are included in the units (excluding the over-allotment discussed below), assuming a public offering price of US$[●] per unit, which is the last reported sale price of our Common Shares on the OTCQB on [●], 2022.
Warrants Offered:	[●] Warrants are included in the units (excluding the over-allotment discussed below), assuming a public offering price of US$[●] per unit, which is the last reported sale price of our Common Shares on the OTCQB on [●], 2022. Each Warrant will entitle the holder to purchase one Common Share at an exercise price of [●]% of the price of the units in this offering, or US$[●] per share. The Warrants shall be exercisable from the date of issuance, which is the closing date of this offering, and expire on the [●] year anniversary thereof. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a share, we will, at our election, upon exercise, either pay a cash adjustment in respect of such fraction (in an amount equal to such fraction multiplied by the exercise price) or round the number of shares to be received by the holder up to the next whole number.
Offering Price:	US$[●] per unit.
Over-allotment:	We have granted the underwriters a [●]-day option (commencing from the date of this Prospectus) to purchase up to an additional [●] Common Shares and/or up to an additional [●] Warrants at the public offering price per Common Share and per Warrant as set forth on the cover page of this prospectus, less the underwriting discount and commissions, solely to cover over-allotments, if any, in each instance assuming a public offering price of [●] per unit, which is the last reported sale price of our Common Shares on the OTCQB on [●], 2022.
Shares Outstanding Prior to the Offering:	[●] Common Shares as of [●], 2022.
Shares Outstanding After the Offering:	[●] Common Shares will be outstanding immediately after the offering (or [●] Common Shares if the underwriters exercise their over-allotment option in full) assuming a public offering price of US$[●] per unit, which is the last reported sale price of our Common Shares on the OTCQB on [●], 2022. Assuming that all of the Warrants sold in the offering are exercised and we issue no additional Common Shares, [●] Common Shares will be outstanding after the offering (or [●] if the underwriters exercise their over-allotment option in full) assuming a public offering price of US$[●] per unit, which is the last reported sale price of our Common Shares on the OTCQB on [●], 2022.
Gross Proceeds:	We will receive gross proceeds of approximately US$[●] (or US$[●] if the underwriters exercise their over-allotment option in full). We would receive additional gross proceeds of approximately US$[●] if all of the Warrants included in the units are exercised (or US$[●] if the underwriters exercise their over-allotment option in full and the Warrants included in the units are exercised).

Use of Proceeds:	We intend to use the net proceeds from this offering for plant and equipment, research and development, sales and marketing and for general working capital.
Compensation Warrants:	We have agreed to issue to the Representative Compensation Warrants to purchase up to a total of [●] Common Shares (equal to 5.0% of the Common Shares sold in this offering). The Compensation Warrants will be immediately exercisable from time to time, in whole or in part, commencing on the date of issuance until [●] years from the commencement of sales of this offering. The Compensation Warrants are exercisable at a per share price of US$[●]. The Compensation Warrants and the Common Shares underlying the Compensation Warrants are being registered hereby.
The Representative:	Ladenburg Thalmann & Co. Inc.
Market for our Common Shares:	Our Common Shares are currently quoted on the OTCQB, and listed for trading on the CSE and the XFRA under the symbols “AGNPF”, “AGN” and “AGW”, respectively. On January 20, 2022, the closing price of our Common Shares was US$7.90, CAD$9.50 and €6.66 respectively. As of January 20, 2022, the last reported sale price of our Common Share on the OTCBQ was US$7.90 per share, and on January 20, 2022 we had 1,674,868 Common Shares outstanding. We intend on applying to have our Common Shares listed on the Nasdaq Capital Market under the symbol "[●]". The successful listing of our Common Shares and Warrants on the Nasdaq Capital Market is a condition of this offering.
Market for our Warrants:	Currently, there is no public trading market for the Warrants included in the units. We intend on applying to have the Warrants listed on the Nasdaq Capital Market under the symbol "[●]W".
Risk Factors:	See "*Risk Factors*" and the other information in this Prospectus for a discussion of the factors you should consider before deciding to invest in our securities.

Except as otherwise indicated, all information in this prospectus is based on 1,674,868 Common Shares outstanding as of January 20, 2022 and excludes the Common Shares being offered by this prospectus and issuable upon exercise of the Warrants and Compensation Warrants and also excludes the following:

- 155,750 Common Shares issuable upon the exercise of outstanding options, with a weighted-average exercise price of $11.02 per share;
- 356,587 Common Shares issuable upon the exercise of outstanding warrants with a weighted-average exercise price of $44.98 per share; and
- 15,433 Common Shares issuable upon the exercise of broker warrant units, with a weighted-average exercise price of $34.35 per broker warrant unit.

Summary Financial Data

The summary financial information set forth below has been derived from our audited financial statements for the fiscal year ended August 31, 2021 and 2020, respectively. You should read the following summary financial data together with our historical and pro forma financial statements and the notes thereto included elsewhere in this prospectus and with the information set forth in the section titled "*Management's Discussion And Analysis Of Financial Conditions And Results Of Operations*".

Consolidated Statements of Financial Position

	Year Ended August 31, 2021	**Year ended August 31, 2020**
Revenue	$Nil	$Nil
Net Loss	$7,734,080	$8,538,207
Comprehensive Loss	$7,869,089	$8,554,912

	Year Ended August 31, 2021	Year ended August 31, 2020
Loss per Common Share - Basic and Fully Diluted	$ 5.05	$ 9.71

	August 31, 2021	August 31, 2020
Cash and Cash Equivalents	$ 2,411,163	$ 6,121,424
Total Current Assets	$ 4,909,261	$ 7,738,225
Total Assets	$10,137,632	$12,823,968
Current Liabilities	$ 1,022,314	$ 607,053
Total Liabilities	$ 1,022,314	$ 607,053
Total Shareholders' Equity	$ 9,115,318	$12,216,915

RISK FACTORS

An investment in our securities carries a significant degree of risk. You should carefully consider the following risks, as well as the other information contained in this prospectus, including our financial statements and related notes included elsewhere in this prospectus, before you decide to purchase our securities. Any one of these risks and uncertainties has the potential to cause material adverse effects on our business, prospects, financial condition and operating results which could cause actual results to differ materially from any forward-looking statements expressed by us and a significant decrease in the value of our securities. Refer to "Special Note Regarding Forward Looking Statements".

There is no assurance that we will be successful in preventing the material adverse effects that any of the following risks and uncertainties may cause, or that these potential risks and uncertainties are a complete list of the risks and uncertainties facing us. Furthermore, there may be additional risks and uncertainties that we are presently unaware of, or presently consider immaterial, that may become material in the future and have a material adverse effect on us. You could lose all or a significant portion of your investment due to any of these risks and uncertainties.

Risks Related to our Business and Industry

Violations of laws and regulations could result in repercussions, and psychedelic inspired drugs may never be approved as medicines.

In Canada, under the CDSA, DMT is classified as a Schedule III drug and as such, medical and recreational use is illegal under the Canadian laws. Certain other jurisdictions, including the jurisdictions in which we have engaged third-party contractors, including Finland (EU) and the United Kingdom, have similarly regulated DMT. There is no guarantee that DMT will ever be approved as medicines in any jurisdiction in which we or our third-party contractors operate. Our third party contractors are required to conduct programs involving DMT in strict compliance with the laws and regulations regarding the production, storage and use of DMT. As such, all facilities engaged with such substances by or on our behalf do so under current licenses and permits issued by appropriate federal, state and local governmental agencies. While a portion of our research programs will be focused on using psychedelic inspired compounds, we do not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which we operate and do not intend to have any such involvement. However, a violation of any Canadian laws and regulations, such as the CDSA, or of similar legislation in the other jurisdictions, including Finland (EU) and the United Kingdom, could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which we or our third party contractors operate, or by private citizens, or through criminal charges. The loss of the necessary licenses and permits for Schedule III drugs by our third party contractors could have an adverse effect on our operations.

We rely on third parties for the execution of a significant portion of our regulatory, pharmacovigilance, medical information and logistical responsibilities

We rely on third parties for the execution of a significant portion of our regulatory, pharmacovigilance medical information, and logistical responsibilities and such third parties may fail to meet their obligations as a result of inadequacies in their systems and processes or execution failure. We also rely on third parties to perform critical services, including preclinical testing, clinical trial management, analysis and reporting, regulatory, pharmacovigilance, medical information and logistical services.

Outsourcing these functions involves risk that third party providers may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. If any contract research organization fails to comply with applicable regulatory requirements, the research and data generated may be deemed unreliable to regulatory authorities. Additional pre-clinical and clinical trials may be required before approval of marketing applications will be given. We cannot provide assurance that all third party providers will meet the regulatory requirements for research and pre-clinical trials. Failure of third party providers to meet regulatory requirements could result in repeat pre-clinical and clinical trials, which would delay the regulatory approval process or result in termination of pre-clinical and clinical trials. Any of the foregoing could have a material adverse effect on our business, prospects, results of operations and financial condition.

These third parties may not be available on acceptable terms when needed or, if they are available, may not comply with all regulatory and contractual requirements or may not otherwise perform their services in a timely or acceptable manner. This non-compliance may be due to a number of factors, including inadequacies in third-party systems and processes or execution failure. We may also experience unexpected cost increases that are beyond our control. As a result, we may need to enter into new arrangements with alternative third parties that may be costly. The time that it takes us to find alternative third parties may cause a delay, extension or termination of its preclinical studies or clinical trials and we may incur significant costs to replicate data that may be lost. These third parties may also have relationships with other commercial entities, some of which may compete with Algernon. In addition, if such third parties fail to perform their obligations in compliance with regulatory requirements and our protocols, our preclinical studies or clinical trials may not meet regulatory requirements or may need to be repeated and its regulatory filings, such as marketing authorizations or new drug submissions, may not be completed correctly or within the applicable deadlines. As a result of Algernon's dependence on third parties, we may face delays or failures outside of our direct control in our efforts to develop product candidates.

We are subject to regulatory approval risks.

Algernon's and its contract research organizations' research and development activities are and will be significantly regulated by a number of governmental entities, including Health Canada, the European Medicines Agency (the "**EMA**"), the Home Office in the U.K. and the FDA. Regulatory approvals are required prior to each clinical trial and we and our contract research organizations may fail to obtain the necessary approvals to commence or continue clinical testing in one or more jurisdictions. The time required to obtain approval by regulatory authorities is unpredictable but typically takes many years following the commencement of clinical trials. Any analysis of data from clinical activities we and our contract research organizations perform is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. Approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary by jurisdiction. We and our contract research organizations could fail to receive regulatory approval for our planned research for many reasons, including but not limited to:

- disagreement with the design or implementation of clinical trials;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;
- failure of clinical trials to meet the level of statistical significance required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- the insufficiency of data collected from clinical trials to support the submission and filing of a submission to obtain regulatory approval;
- deficiencies in the manufacturing processes or the failure of facilities of collaborators with whom we contract for clinical supplies to pass a pre-approval inspection; or
- changes in the approval policies or regulations that render our preclinical and clinical data insufficient for approval.

We are subject to psychedelic regulatory risks.

Psychedelic therapy is a new and emerging industry with ambiguous existing regulations and uncertainty as to future regulations. Certain psychedelics may be illegal substances other than when used for scientific or medical purposes. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. This industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond our control and cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could make future capital investments or operations uneconomic. The psychedelic therapy industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Decriminalization of psychedelics.

Despite the current status of DMT as a controlled substance in Canada, the European Union ("**EU**"), the United Kingdom and United States, there may be changes in the status of DMT under the laws of certain jurisdictions. Possession of psilocybin, for example, was voted to be decriminalized in May 2019 in Denver and in November 2020, voters in Oregon approved the legal medical use of "psilocybin products", including magic mushrooms, to treat mental health conditions in licensed facilities with registered therapists (Measure 109). The legalization of psychedelics with inadequate regulatory oversight may lead to the development of psychedelic tourism in such states in clinics without proper therapeutic infrastructure or adequate clinical research. While drug laws pertaining to DMT are less likely to be as forthcoming, the expansion of such an industry which could put patients at risk may bring reputational and regulatory risk to the entire industry, leading to challenges for Algernon to achieve regulatory approval. The legalization of psilocybin, and potentially other psychedelic compounds (including DMT) in the future may also impact commercial sales for Algernon due to a reduced barrier to entry leading to a risk of increasing competition.

We may face difficulties in enforcing contracts.

Due to the nature of our business and the fact that certain of our contracts involve the possession, manufacture, production or supply of DMT, the use of which is not legal under UK, EU, U.S. or Canadian law and in certain other jurisdictions, we may face difficulties in enforcing our contracts in the courts in the UK, EU, U.S. or Canada. The inability to enforce any of our contracts could have a material adverse effect on our business, operating results, financial condition or prospects.

In order to manage our contracts with contractors, we will ensure that such contractors are appropriately licensed. Were such contractors to operate outside the terms of these licenses, we may experience an adverse effect on our business, including the pace of development of our product.

The success of the industry in which we operate may be significantly influenced by the public's perception of psychedelic inspired medicinal applications.

The success of the industry in which we operate may be significantly influenced by the public's perception of psychedelic inspired medicinal applications. There is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to psychedelic inspired medicine will be favourable. The industry in which we operate is in its early stages and is constantly evolving, with no guarantee of viability. The market for psychedelic inspired medicines is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of psychedelic inspired medicines may have a material adverse effect on our operational results, consumer base and financial results. While we are undertaking research programs using psychedelic inspired compounds, and does not advocate for the legalization of any psychedelic substances or deal with psychedelic substances except within laboratory and clinical trial settings conducted within approved regulatory frameworks, any unfavourable publicity or consumer perception regarding psychedelic substances (in addition to psychedelic inspired medicines) could also have a material adverse effect on our operational results, consumer base and financial results.

The psychedelic therapy industry is difficult to quantify and investors will be reliant on their own estimates of the accuracy of market data.

Because the psychedelic therapy industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in Algernon and, few, if any, established companies whose business model we can follow or upon whose success we can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in Algernon. There can be no assurance that our estimates are accurate or that the market size is sufficiently large for our business to grow as projected, which may negatively impact our financial results.

The success of our business also depends in part upon our ability to identify, license or discover additional product candidates.

Although a substantial amount of our effort will focus on the continued research and preclinical and clinical testing, potential approval and commercialization of our existing product candidates, the success of our business also depends in part upon our ability to identify, license or discover additional product candidates. Our research programs or licensing efforts may fail to yield additional product candidates for clinical development for a number of reasons, including but not limited to the following:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential product candidates;
- we may not be able or willing to assemble sufficient resources to acquire or discover additional product candidates;
- our product candidates may not succeed in pre-clinical or clinical testing;
- our product candidates may be shown to have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to receive marketing approval;
- competitors may develop alternatives that render our product candidates obsolete or less attractive;
- product candidates we develop may be covered by third parties' patents or other exclusive rights;
- the market for a product candidate may change during our program so that such a product may become unreasonable to continue to develop;
- a product candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and
- a product candidate may not be accepted.

If any of these events occurs, we may be forced to abandon our development efforts to identify, license or discover additional product candidates, which could have a material adverse effect on our business, prospects, results of operations and financial condition and could potentially cause us to cease operations. Research programs to identify new product candidates require substantial technical, financial and human resources. We may focus our efforts and resources on potential programs or product candidates that ultimately prove to be unsuccessful.

None of our product candidates has to date received regulatory approval for their intended commercial sale.

None of our product candidates has to date received regulatory approval for their intended commercial sale. We cannot market a pharmaceutical product in any jurisdiction until it has completed rigorous preclinical testing and clinical trials and passed such jurisdiction's extensive regulatory approval process. In general, significant research and development and clinical studies are required to demonstrate the safety and efficacy of a product candidate before it can be submitted for regulatory approval. Even if a product candidate is approved by the applicable regulatory authority, we may not obtain approval for an indication whose market is large enough to recover our investment in that product candidate. In addition, there can be no assurance that we will ever obtain all or any required regulatory approvals for any of our product candidates.

Failure to follow regulatory requirements will have a materially negative impact on our business.

Our prospects must be considered in light of the risks, expenses, shifts, changes and difficulties frequently encountered with companies whose businesses are regulated by various federal, state and local governments. The health care, wellness, workers compensation and similar companies are subject to a variety of regulatory requirements and the regulatory environment is ever changing particularly with recent legislation, the full impact of which is not yet understood as regulations have not been issued. Failure to follow applicable regulatory requirements will have a materially negative impact on our business. Furthermore, future changes in legislation cannot be predicted and could irreparably harm our business.

We will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transaction. There can be no assurance that additional financing will be available to us when needed or on terms which are acceptable.

We will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to us when needed or on terms which are acceptable. Our inability to raise financing to fund capital expenditures or acquisitions could limit our growth and may have a material adverse effect upon our business, prospects, results of operations and financial condition.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Because of the early stage of the industry in which we will operate, we expect to face additional competition from new entrants. To become and remain competitive, we will require research and development, marketing, sales and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect our business, financial condition and results of operations.

We could be adversely affected if we do not adequately protect our intellectual property rights.

We could be adversely affected if we do not adequately protect our intellectual property rights. We regard our marks, inventions, confidential information and trade secrets and other intellectual property rights as critical to our success. To protect our investments and our rights in these various intellectual properties, we may rely on a combination of patents, trademark and copyright law, trade secret protection and confidentiality agreements and other contractual arrangements with our employees, clients, strategic partners, acquisition targets and others to protect proprietary rights. There can be no assurance that the steps taken by us to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate our copyrights, trademarks and similar proprietary rights, or that we will be able to detect unauthorized use and take appropriate steps to enforce rights. In addition, although we believe that our proprietary rights do not infringe on the intellectual property rights of others, there can be no assurance that other parties will not assert infringement claims against us. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

We rely on trade secrets to protect technology where we do not believe patent protection is appropriate or obtainable. Trade secrets are difficult to protect. While commercially reasonable efforts to protect trade secrets will be used, strategic partners, employees, consultants, contractors or scientific and other advisors may unintentionally or willfully disclose information to competitors.

If we are not able to defend patents or trade secrets, then we will not be able to exclude competitors from developing or marketing competing products, and we may not generate enough revenue from product sales to justify the cost of development of products and to achieve or maintain profitability.

Our clinical trials for each product candidate may fail to adequately demonstrate the safety and efficacy of that candidate, which could force us to abandon our product development plans for that product candidate. We will rely on third parties to conduct our product development, chemistry activities, as well as pre-clinical and clinical trials. If these third parties do not perform as contractually required or as otherwise expected we may not be able to obtain regulatory approval for our product candidates, which may prevent us from becoming profitable.

Our clinical trials for each product candidate may fail to adequately demonstrate the safety and efficacy of that candidate, which could force us to abandon our product development plans for that product candidate. Before obtaining regulatory approval for the commercial sale of any of our product candidates, we must demonstrate, through lengthy, complex and expensive pre-clinical testing and clinical trials, that each product is both safe and effective for use in each target indication. Clinical trial results are inherently difficult to predict, and the results we have obtained or may obtain from third-party trials or from our own trials may not be indicative of results from future trials. We may also suffer significant setbacks in advanced clinical trials even after obtaining promising results in earlier studies.

Although we intend to modify any of our protocols in ongoing studies or trials to address any setbacks, there can be no assurance that these modifications will be adequate or that these or other factors will not have a negative effect on the results of our clinical trials. This could significantly disrupt our efforts to obtain regulatory approvals and commercialize our product candidates. Furthermore, we may voluntarily suspend or terminate our clinical trials if at any time we believe that they present an unacceptable safety risk to patients, either in the form of undesirable side effects or otherwise. If we cannot show that our product candidates are both safe and effective in clinical trials, we may be forced to abandon our business plan.

We will rely on third parties to conduct our product development, chemistry activities, as well as pre-clinical and clinical trials. If these third parties do not perform as contractually required or as otherwise expected we may not be able to obtain regulatory approval for our product candidates, which may prevent us from becoming profitable.

As part of the regulatory process, we would need to conduct clinical trials for any drug candidate to demonstrate safety and efficacy to the satisfaction of the regulatory authorities, including the FDA for the U.S. and Health Canada for Canada should we decide to seek approval in those jurisdictions. Clinical trials are subject to rigorous regulatory requirements and are expensive and time-consuming to design and implement. We may experience delays in clinical trials for any of our drug candidates, and the projected timelines for continued development of the technologies and related drug candidates by us may otherwise be subject to delay or suspension. Any planned clinical trials might not begin on time; may be interrupted, delayed, suspended, or terminated once commenced; might need to be redesigned; might not enroll a sufficient number of patients; or might not be completed on schedule, if at all. Clinical trials can be delayed for a variety of reasons, including the following:

- delays in obtaining regulatory approval to commence a trial;
- imposition of a clinical hold following an inspection of our clinical trial operations or trial sites by the FDA or other regulatory authorities;
- imposition of a clinical hold because of safety or efficacy concerns by the FDA, a data safety monitoring board or committee or by us;
- delays in reaching agreement on acceptable terms with prospective contract research organizations and clinical trial sites;
- delays in obtaining required monitoring Board approval at each site for clinical trial protocols;
- delays in identifying, recruiting and training suitable clinical investigators;
- delays in recruiting suitable patients to participate in a trial;
- delays in having patients complete participation in a trial or return for post-treatment follow-up;
- clinical sites dropping out of a trial to the detriment of enrollment;
- time required to add new sites;
- delays in obtaining sufficient supplies of clinical trial materials, including comparator drugs;
- delays resulting from negative or equivocal findings of a data safety monitoring board for a trial; or
- adverse or inconclusive results from pre-clinical testing or clinical trials.

Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors, including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials, and clinicians' and patients' perceptions as to the potential advantages of the biologic being studied in relation to other available therapies, including any new biologics that may be approved for the indications we are investigating. Any of these delays in completing our clinical trials could increase costs, slow down the product development and approval process, and jeopardize our ability to commence product sales and generate revenue.

Pre-clinical and clinical trials will be lengthy and expensive.

Pre-clinical and clinical trials will be lengthy and expensive. Delays in clinical trials are common for many reasons and any such delays could result in increased costs to us and jeopardize or delay our ability to obtain regulatory approval and commence product sales as currently contemplated.

We may be required to suspend or discontinue clinical trials because of adverse side effects or other safety risks that could preclude approval of our drug candidates.

Clinical trials may be suspended or terminated at any time for a number of reasons. A clinical trial may be suspended or terminated by us, our collaborators, the FDA, or other regulatory authorities because of a failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, presentation of unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using the investigational biologic, changes in governmental regulations or administrative actions, lack of adequate funding to continue the clinical trial, or negative or equivocal findings of the data safety monitoring board for a clinical trial. We may voluntarily suspend or terminate our clinical trials if at any time we believe that they present an unacceptable risk to participants. If we elect or are forced to suspend or terminate any clinical trial of any proposed product that we develop, the commercial prospects of such proposed product will be harmed and our ability to generate product revenue from such proposed product will be delayed or eliminated. Any of these occurrences could have a materials adverse effect on our business, prospects, results of operations and financial condition.

We face product liability exposure, which, if not covered by insurance, could result in significant financial liability.

The risk of product liability is inherent in the research, development, manufacturing, marketing and use of pharmaceutical products. Product candidates and products that we may commercially market in the future may cause, or may appear to have caused, injury or dangerous drug reactions, and expose us to product liability claims. These claims might be made by patients who use the product, healthcare providers, pharmaceutical companies, corporate collaborators or others selling such products. If our product candidates during clinical trials were to cause adverse side effects, we may be exposed to substantial liabilities. Regardless of the merits or eventual outcome, product liability claims or other claims related to our product candidates may result in:

- decreased demand for our products due to negative public perception;
- injury to our reputation;
- withdrawal of clinical trial participants or difficulties in recruiting new trial participants;
- initiation of investigations by regulators;
- costs to defend or settle related litigation;
- a diversion of management's time and resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenues from product sales; and
- the inability to commercialize any of product candidates, if approved.

We intend to obtain clinical trial insurance once a clinical trial is initiated. However, the insurance coverage may not be sufficient to reimburse us for any expenses or losses we may suffer. Insurance coverage is becoming increasingly expensive, and, in the future, we, or any of our collaborators, may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts or at all to protect against losses due to liability. Even if our agreements with any future collaborators entitle us to indemnification against product liability losses, such indemnification may not be available or adequate should any claim arise. Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against product liability claims could prevent or inhibit the commercialization of our product candidates. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired.

Should any of the events described above occur, this could have a material adverse effect on our business, prospects, results of operations and financial condition.

In light of our current resources and limited experience, we may need to establish successful third-party relationships to successfully commercialize our future product candidates.

The long-term viability of our future product candidates may depend, in part, on our ability to successfully establish new strategic collaborations with pharmaceutical and biotechnology companies, non-profit organizations and government agencies. Establishing strategic collaborations and obtaining government funding is difficult and time-consuming. Potential collaborators may reject collaborations based upon their assessment of our financial, regulatory or intellectual property position or based on their internal pipeline; government agencies may reject contract or grant applications based on their assessment of public need, the public interest, the ability of our products to address these areas, or other reasons beyond our expectations or control. If we fail to establish a sufficient number of collaborations or government relationships on acceptable terms, we may not be able to commercialize any future drug candidates or generate sufficient revenue to fund further research and development efforts.

Even if we establish new collaborations or obtains government funding, these relationships may never result in the successful development or commercialization of any drug candidates for several reasons, including the fact that:

- we may not have the ability to control the activities of our partners and cannot provide assurance that they will fulfill their obligations to us, including with respect to the license, development and commercialization of drug candidates, in a timely manner or at all;
- such partners may not devote sufficient resources to our drug candidates or properly maintain or defend our intellectual property rights;

- relationships with collaborators could also be subject to certain fraud and abuse laws if not structured properly to comply with such laws;
- any failure on the part of our partners to perform or satisfy their obligations to us could lead to delays in the development or commercialization of drug candidates and affect our ability to realize product revenue; and
- disagreements, including disputes over the ownership of technology developed with such collaborators, could result in litigation, which would be time-consuming and expensive, and may delay or terminate research and development efforts, regulatory approvals and commercialization activities.

If we or our collaborators fail to maintain our existing agreements or in the event we fail to establish agreements as necessary, we could be required to undertake research, development, manufacturing and commercialization activities solely at our own expense. These activities would significantly increase capital requirements and, given our lack of sales, marketing and distribution capabilities, significantly delay the commercialization of future drug candidates.

Our business is subject to rapid technological changes.

Our business is subject to rapid technological changes. Failure to keep up with such changes could have a material adverse effect on our business, prospects, results of operations and financial condition. We are subject to the risks of companies operating in the medical and healthcare business.

The market in which we compete is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. As a result, an investment in the Common Shares is highly speculative and is only suitable for investors who recognize the high risks involved and can afford a total loss of investment.

There can be no assurance that contractual arrangements or other steps taken by us to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or to deter independent third-party development of similar technologies.

We regard the protection of our copyrights, service marks, trademarks, trade dress and trade secrets as critical to our future success and rely on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect our proprietary rights in products and services. We have entered into confidentiality and invention assignment agreements with our officers and contractors, and nondisclosure agreements with parties with which we conduct business in order to limit access to and disclosure of our proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by us to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or to deter independent third-party development of similar technologies.

Other companies may claim that we infringe their intellectual property, which could have a material adverse effect upon our business, prospectus, results of operations and financial condition.

To date, we have not been notified that our technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by us with respect to past, current or future technologies. We expect that participants in our markets will be increasingly subject to infringement claims as the number of services and competitors in our industry segment grows. Any such claim, whether meritorious or not, could be time consuming, result in costly litigation, cause service upgrade delays or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to us or at all. As a result, any such claim could have a material adverse effect upon our business, prospects, results of operations and financial condition.

It is difficult and costly to protect our proprietary rights, and we may not be able to ensure their protection. If our patent position does not adequately protect our product candidates, others could compete against us more directly, which would harm our business, possibly materially.

Our commercial success will depend in part on obtaining and maintaining patent protection for our current product candidates and future product candidates, the processes used to manufacture them and the methods for using them, as well as successfully defending these patents against third-party challenges.

Our ability to stop third parties from making, using, selling, offering to sell or importing our product candidates is dependent in part upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities.

The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in pharmaceutical patents has emerged to date in the U.S. or in foreign jurisdictions outside of the U.S. Changes in either the patent laws or interpretations of patent laws in the U.S. and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be enforced in the patents that may be issued from the applications we have filed. Further, if any patents we obtain or license are deemed invalid and unenforceable, our ability to commercialize or license our product candidates or technology could be adversely affected.

Others may file patent applications covering products and technologies that are similar, identical or competitive to ours or important to our business. We cannot be certain that any patent application owned by a third party will not have priority over patent applications filed or in-licensed by us, or that we or our licensors will not be involved in interference, opposition, reexamination, review, reissue, post grant review or invalidity proceedings before U.S. or non-U.S. patent offices. Such proceedings are also expensive and time consuming.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others will likely be able to make compounds that are similar to our product candidates, but that are not covered by the claims of our licensed patents;
- any patents that we obtain from licensing or otherwise may not provide us with any competitive advantages;
- any granted patents that we rely upon may be held invalid or unenforceable as a result of legal challenges by third parties; and
- the patents of others may have an adverse effect on our business.

We are also dependent on licensed intellectual property. If we were to lose our rights to that licensed intellectual property, we may not be able to continue developing or commercializing the product candidates for which we need the license.

Even if patents are issued based on patent applications to which we have filed or have been granted a license, because the patent positions of pharmaceutical products are complex and uncertain, we cannot predict the scope and extent of patent protection for our product candidates.

Any patents that may be issued based on patent applications that we have been granted licenses to may not ensure sufficient protection with respect to our activities for a number of reasons, including without limitation the following:

- any issued patents may not have valid claims drafted broadly enough to prevent competition from developing other similar products;
- if patents are not issued or if issued patents expire, there may be no protections against competitors from making the same products or generic equivalents;
- there may be prior art of which we are not aware that may affect the validity or enforceability of a patent claim;
- there may be other patents existing, now or in the future, in the patent landscape for our product candidates that we seek to commercialize or develop, if any, that may affect our freedom to operate;
- if patents that we have been granted licenses to are challenged, a court could determine that such patents are not valid or enforceable, thereby affecting any exclusivity granted to us pursuant to the licenses;
- a court could determine that a competitor's technology or product does not infringe patents that we have been granted licenses to;
- patents to which we have been granted licenses could irretrievably lapse due to failure to pay fees or otherwise comply with regulations, or could be subject to compulsory licensing, thereby affecting any exclusivity granted to us pursuant to the licenses; and
- if we encounter delays in our development or clinical trials, the period of time during which we could market our products under patent protection would be reduced.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and patent protection could be reduced or eliminated for noncompliance with these requirements.

Periodic maintenance fees on any issued patent are due to be paid to the United States Patent and Trademark Office (USPTO) and foreign Intellectual Property Offices in several stages over the term of the patent. Maintenance fees are also due for pending patent applications in some countries. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to office actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

The life of patent protection is limited, and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly with us after the patent licensed to us expires, which could materially and adversely affect our ability to commercialize our products and technologies.

The life of a patent and the protection it affords is limited. For example, in the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. In Europe, the expiration of an invention patent is 20 years from its filing date. Even if we successfully obtain patent protection for an approved candidate, it may face competition from biosimilar medications. Manufacturers of biosimilar drugs may challenge the scope, validity or enforceability of the patents underlying our technology in court or before a patent office, and the patent holder may not be successful in enforcing or defending those intellectual property rights and, as a result, we may not be able to develop or market the relevant product candidate exclusively, which would materially adversely affect any potential sales of that product.

Given the amount of time required for the development, testing and regulatory review of product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, the patents and patent applications licensed to us may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Even if we believe that the patents involved are eligible for certain (and time-limited) patent term extensions, there can be no assurance that the applicable authorities, including the FDA and the USPTO, and any equivalent regulatory authority in other countries, will agree with our assessment of whether such extensions are available, and such authorities may refuse to grant extensions to such patents, or may grant more limited extensions than requested. For example, depending upon the timing, duration and specifics of any FDA marketing approval of any product candidates we may develop, one or more of the U.S. patents licensed to us may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Action of 1984, or Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent extension term of up to five years as compensation for patent term lost during the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than requested. If we are unable to obtain patent term extension or term of any such extension is less than requested, our competitors may obtain approval of competing products following our patent expiration, and our business could be harmed. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection.

The patents and pending patent applications licensed to us for our product candidates are expected to expire on various dates. Upon the expiration, we will not be able to assert such licensed patent rights against potential competitors, which may materially adversely affect our business, financial condition, results of operations and prospects.

There may be intellectual property rights existing now, or in the future, relevant to our product candidates that we seek to commercialize or develop, if any, that may affect our ability to commercialize such product candidates. Although the Company is not aware of any such intellectual property rights, a third-party may hold intellectual property rights, including patent rights that are important or necessary to the development or manufacture of our product candidates. Even if all our main product candidates are covered by patents, it may be necessary for us to use the patented or proprietary technology of third parties to commercialize our product candidates, in which case we would be required to obtain a license from these third parties. Such a license may not be available on commercially reasonable terms, or at all, and we could be forced to accept unfavorable contractual terms. In that event, we may be required to expend significant time and resources to redesign our technology, product candidates, or the methods for manufacturing them or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, our business could be harmed.

The licensing or acquisition of third-party intellectual property rights is a competitive area, and several more established companies may pursue strategies to license or acquire third party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, capital resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant program or product candidate, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may infringe the intellectual property rights of others, which may prevent or delay our product development efforts and stop us from commercializing or increase the costs of commercializing our product candidates.

Our success will depend in part on our ability to operate without infringing the proprietary rights of third parties. We are not aware of any third party proprietary rights that our planned products will infringe or misappropriate, but we have not conducted any freedom to operate study as we are in the earliest stages of development. We thus cannot guarantee that our product candidates, or manufacture or use of our product candidates, will not infringe third-party patents. Furthermore, a third party may claim that we are using inventions covered by the third party's patent rights and may go to court to stop us from engaging in our normal operations and activities, including making or selling our product candidates. These lawsuits are costly and could affect our results of operations and divert the attention of managerial and scientific personnel. Some of these third parties may be better capitalized and have more resources than us. There is a risk that a court would decide that we are infringing the third party's patents and would order us to stop the activities covered by the patents. In that event, we may not have a viable way around the patent and may need to halt commercialization of our product candidates. In addition, there is a risk that a court will order us to pay the other party damages for having violated the other party's patents. In addition, we may be obligated to indemnify our licensors and collaborators against certain intellectual property infringement claims brought by third parties, which could require us to expend additional resources. The pharmaceutical industry has produced a proliferation of patents, and it is not always clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform.

If we are sued for patent infringement, we would need to demonstrate that our product candidates or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and we may not be able to do this. Proving invalidity is difficult. For example, in the U.S., proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and diversion of management's time and attention in pursuing these proceedings, which could have a material adverse effect on us. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, which may not be available, defend an infringement action or challenge the validity of the patents in court. Patent litigation is costly and time consuming. We may not have sufficient resources to bring these actions to a successful conclusion. In addition, if we do not obtain a license, develop or obtain non-infringing technology, fail to defend an infringement action successfully or have infringed patents declared invalid, we may incur substantial monetary damages, encounter significant delays in bringing our product candidates to market and be precluded from manufacturing or selling our product candidates.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than us or the third parties from whom we license intellectual property because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful.

In addition to the possibility of litigation relating to infringement claims asserted against it, we may become a party to other patent litigation and other proceedings, including inter parties review proceedings, post-grant review proceedings, derivation proceedings declared by the USPTO and similar proceedings in foreign countries, regarding intellectual property rights with respect to our current or future technologies or product candidates or products. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Patent litigation and other proceedings may also absorb significant management time. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could impair our ability to compete in the marketplace.

Competitors may infringe or otherwise violate our intellectual property, including patents that may issue to or be licensed by us. As a result, we may be required to file claims in an effort to stop third-party infringement or unauthorized use. Any such claims could provoke these parties to assert counterclaims against us, including claims alleging that we infringe their patents or other intellectual property rights, and/or that any of our intellectual property, including licensed intellectual property, is invalid and/or unenforceable. This can be prohibitively expensive, particularly for a company of our size, and time-consuming, and even if we are successful, any award of monetary damages or other remedy we may receive may not be commercially valuable. In addition, in an infringement proceeding, a court may decide that our asserted intellectual property is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our intellectual property does not cover its technology. An adverse determination in any litigation or defense proceedings could put our intellectual property at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

If the breadth or strength of our patent or other intellectual property rights is compromised or threatened, it could allow third parties to exploit and, in particular, commercialize our technology or products or result in our inability to exploit and/or commercialize our technology and products without infringing third-party intellectual property rights. Further, third parties may be dissuaded from collaborating with us.

Interference or derivation proceedings brought by the USPTO or its foreign counterparts may be necessary to determine the priority of inventions with respect to our patent applications, and we may also become involved in other proceedings, such as re-examination proceedings, before the USPTO or its foreign counterparts. Due to the substantial competition in the pharmaceutical space, the number of such proceedings may increase. This could delay the prosecution of our pending patent applications or impact the validity and enforceability of any future patents that we may obtain. In addition, any such litigation, submission or proceeding may be resolved adversely to us and, even if successful, may result in substantial costs and distraction to our management.

If we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and product could be significantly diminished.

We also rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. For example, the FDA, as part of its transparency initiative, is currently considering whether to make additional information publicly available on a routine basis, including information that we may consider to be trade secrets or other proprietary information, and it is not clear at the present time how the FDA's disclosure policies may change in the future, if at all. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We may be subject to claims that our employees or consultants have wrongfully used or disclosed alleged trade secrets.

As is common in the pharmaceutical industry, we employ individuals who were previously employed at other pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees or consultants have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we could lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Our intellectual property may not be sufficient to protect our product candidates from competition, which may negatively affect our business as well as limit our partnership or acquisition appeal.

We may be subject to competition despite the existence of intellectual property we license or may in the future own. We can give no assurances that our intellectual property claims will be sufficient to prevent third parties from designing around patents we own or license and developing and commercializing competitive products. The existence of competitive products that avoid our intellectual property could materially adversely affect our operating results and financial condition. Furthermore, limitations, or perceived limitations, in our intellectual property may limit the interest of third parties to partner, collaborate or otherwise transact with us, if third parties perceive a higher than acceptable risk to commercialization of our product candidates or future product candidates.

We may elect to sue a third party, or otherwise make a claim, alleging infringement or other violation of patents, trademarks, trade dress, copyrights, trade secrets, domain names or other intellectual property rights that we either own or license from a third party. If we do not prevail in enforcing our intellectual property rights in this type of litigation, we may be subject to:

- paying monetary damages related to the legal expenses of the third party;
- facing additional competition that may have a significant adverse effect on our product pricing, market share, business operations, financial condition, and the commercial viability of our product; and

- restructuring our company or delaying or terminating select business opportunities, including, but not limited to, research and development, clinical trial, and commercialization activities, due to a potential deterioration of our financial condition or market competitiveness.

A third party may also challenge the validity, enforceability or scope of the intellectual property rights that we license or own and the result of these challenges may narrow the scope or claims of or invalidate patents that are integral to our product candidates in the future. There can be no assurance that we will be able to successfully defend patents we own or license in an action against third parties due to the unpredictability of litigation and the high costs associated with intellectual property litigation, amongst other factors.

Changes to patent law, including the Leahy-Smith America Invests Act of 2011 and the Patent Reform Act of 2009 and other future article of legislation, may substantially change the regulations and procedures surrounding patent applications, issuance of patents and prosecution of patents. We can give no assurances that the patents of our licensor can be defended or will protect us against future intellectual property challenges, particularly as they pertain to changes in patent law and future patent law interpretations.

General Risk Factors

There is no guarantee that an investment in the securities described herein will provide any positive return in the short term or long term.

There is no guarantee that an investment in the securities described herein will provide any positive return in the short term or long term. An investment in our securities is speculative and involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in our securities described herein is appropriate only for holders who have the capacity to absorb a loss of some or all of their investment.

We have reported negative cash flow from operations and we anticipate having negative cash flow from operating activities in future periods.

During the year ended August 31, 2021, we had negative cash flow from operating activities, reported a net comprehensive loss of $7,869,089 and net loss per Common Share of $5.05. During the year ended August 31, 2020, we had negative cash flow from operating activities, reported a net comprehensive loss of $8,554,912 and net loss per Common Share of $9.71. We anticipate that we will have negative cash flow from operating activities in future periods. To the extent that we have negative cash flow in any future period, certain of the net proceeds from any offering we undertake may be used to fund such negative cash flow from operating activities, if any.

The impact of the novel coronavirus (COVID-19) pandemic on the global economy and our operations remains uncertain, which could have a material adverse impact on our business, financial condition and results of operations.

Since December 31, 2019, governments worldwide have been enacting emergency measures to combat the spread of COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The development and operation of our business plan is dependent on labour inputs and governmental approvals, which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on our business, measures taken by the Canadian government and voluntary measures undertaken by us with a view to the safety of our employees, may adversely impact our business. While the pandemic has not materially affected our clinical trials and research, its continued disruption may delay our timeline with respect to planned clinical trials. The ultimate extent of the impact of the pandemic on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the pandemic and actions taken to contain or prevent the further spread of COVID-19, among others. Thus, the current pandemic could therefore materially and adversely affect our business, financial condition and results of operations.

While governments have commenced vaccination programs, the COVID-19 pandemic continues to result in widespread global infections and fatalities, market volatility and impact global economic activity. Despite reductions in such measures and the current vaccination programs instituted by many governments, there remains significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on our operations and on global financial markets.

We have a limited history of operations and is considered a development stage company.

We have a limited history of operations and are considered a development stage company. As such, we are subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that we will be successful in achieving a return on shareholders' investment and the likelihood of our success must be considered in light of our early stage of operations.

We are subject to going-concern risks.

The Company's consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Our future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that we will be successful in completing an equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should we be unable to continue as a going concern.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should we be unable to continue as a going concern.

The market price of the Common Shares may be subject to wide price fluctuations.

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in our business prospects and our subsidiaries, general economic conditions, legislative changes, and other events and factors outside of our control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for our Common Shares.

We are subject to litigation risks.

We may become party to litigation from time to time in the ordinary course of business which could adversely affect our business. Should any litigation in which we become involved be determined against us such a decision could adversely affect our ability to continue operating and the market price for the Common Shares. Even if we are involved in litigation and win, litigation can redirect significant company resources.

Our commercial success will depend in part on not infringing upon the patents and proprietary rights of other parties and enforcing our own patents and proprietary rights against others. The research and development programs will be in highly competitive fields in which numerous third parties have issued patents and pending patent applications with claims closely related to the subject matter of our programs. We are not currently aware of any litigation or other proceedings or claims by third parties that our technologies or methods infringe on their intellectual property.

While it is our practice to undertake pre-filing searches and analyses of developing technologies, they cannot guarantee that they have identified every patent or patent application that may be relevant to the research, development, or commercialization of our products. Moreover, we can provide no assurance that third parties will not assert valid, erroneous, or frivolous patent infringement claims.

There may be larger, better financed companies which may become our competition.

There is high potential that we will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and research and manufacturing than us. Increased competition by larger and better financed competitors could materially and adversely affect our business, financial condition and results of operations.

At present, management believes that there are a number of drug development companies, on a global scale, that are advancing compounds for the treatment of CKD, IPF, chronic cough, pancreatic and small cell lung cancers and are in various stages of development from pre-clinical up to and including Phase 3 human trials.

Competitive pressures created by any one of these companies, or by our competitors collectively, could have a material adverse effect on our business, prospects, results of operations and financial condition.

We believe that the principal competitive factors in our market are our ability to develop drug compounds that are more efficacious than the current gold standard treatment of other drugs underdevelopment, to protect our intellectual property and to also be the first company to deliver its medical device products to the market on a timely and cost-effective basis. Better performing drugs and the expansion of existing technologies may increase the competitive pressures on us by enabling our competitors to receive regulatory approval to market for certain drugs before its compounds are approved, offer a lower-cost product.

Any loss of the services of key management could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our success is dependent upon the ability, expertise, judgment, discretion and good faith of our senior management. While employment/consulting agreements are customarily used as a primary method of retaining the services of key management, these agreements cannot assure the continued services of such persons. Any loss of the services of such individuals could have a material adverse effect on our business, prospects, results of operations and financial condition.

We have no earnings or dividend record, and we do not anticipate paying any dividends on the Common Shares in the foreseeable future

We have no earnings or dividend record, and do not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by us would be subject to tax and, potentially, withholdings.

There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any of our securities.

The Common Shares are currently listed on the CSE. There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any of our securities.

There can be no assurance that required licenses and permits will be granted.

Our operations may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits will be granted.

Our business may not be insurable or insurance may not be purchased due to high cost.

Our business may not be insurable or the insurance may not be purchased due to high cost. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company.

The lack of product for commercialization could have a material adverse effect on our commercialization plans and our business, prospectus, results of operations and financial condition.

If we cannot successfully develop, manufacture and distribute our products, or if we experience difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, we may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect our ability to effectively enter the market. A failure by us to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes could have a material adverse effect on our commercialization plans and our business, prospects, results of operations and financial condition.

The lack of experience of the Company and/or Management in marketing, selling, and distribution products may result in the failure of our business and a loss of your investment.

The Company's management's lack of experience in marketing, selling, and distributing its products could lead to poor decision-making which could result in cost-overruns and/or the inability to produce the desired products. Although management of the Company intends to hire experienced and qualified staff, this inexperience could also result in our inability to consummate revenue contracts or any contracts at all. Any combination of the aforementioned may result in the failure of the Company and a loss of your investment.

We may pursue additional strategic transactions in the future, which could be difficult to implement, disrupt our business or result in dilution for existing shareholders.

If appropriate opportunities present themselves, we intend to acquire businesses, technologies, services or products that we believe are strategic. We currently have no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that we will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with our current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of our business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the our business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require us to obtain additional equity or debt financing, which might not be available on terms favourable to us, or at all, and such financing, if available, might be dilutive.

We must rely largely on our own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry.

We must rely largely on our own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on our business, prospects, results of operations and financial condition.

Certain of our directors and officers are, or may be subject to conflicts of interest.

Certain of our directors and officers are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

We are subject to global economic risks.

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations and the trading price of our Common Shares on the stock exchange.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under the laws of the Province of British Columbia, a substantial portion of our assets are in Canada and all of our executive officers and directors reside outside the United Sates.

The Company is organized under the laws of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") and our executive offices are located outside of the United States in Vancouver, British Columbia. All of our officers, our auditor and all our directors reside outside the United States. In addition, a substantial portion of their assets and our assets are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside of the United States, judgments you may obtain in U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. Federal or state securities laws. Furthermore, there is substantial doubt as to the enforceability in Canada against us or against any of our directors, officers and the expert named in this prospectus who are not residents of the United States, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities based solely upon the civil liability provisions of the U.S. federal securities laws. In addition, shareholders in British Columbia companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

As a result, our public shareholders may have more difficulty in protecting their interests through actions against us, our management, our directors or our major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

Our consolidated financial statements contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern, which could prevent us from obtaining new financing on reasonable terms or at all.

Our audited consolidated financial statements for the year ended August 31, 2021, contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. We incurred a net loss of $8,538,207 for the year ended August 31, 2020 and $7,734,080 for the year ended August 31, 2021. These events and conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. The consolidated financial statements for the period ended August 31, 2021 and 2020 do not include any adjustments that might result from the outcome of this uncertainty. This going concern opinion could materially limit our ability to raise additional funds through the issuance of equity or debt securities or otherwise. Further financial statements may include an explanatory paragraph with respect to our ability to continue as a going concern. Until we can generate significant recurring revenues, we expect to satisfy our future cash needs through debt or equity financing. We cannot be certain that additional funding will be available to us on acceptable terms, if at all. If funds are not available we may be required to delay, reduce the scope of, or eliminate research or development plans for, or commercialization efforts with respect to our products. This may raise substantial doubts about our ability to continue as a going concern.

Volatility in the Common Shares or Warrant price may subject us to securities litigation.

The market for Common Shares may have, when compared to seasoned issuers, significant price volatility, and we expect that the Common Share or Warrant price may continue to be more volatile than that of a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention and resources.

Because the SEC imposes additional sales practice requirements on brokers who deal in securities that are deemed penny stocks, some brokers may be unwilling to trade our securities. This means that you may have difficulty reselling your Common Shares and Warrants, which may cause the value of your investment to decline.

Our Common Shares and Warrants are classified as penny stocks and are covered by section 15(g) of the Exchange Act, which imposes additional sales practice requirements on broker-dealers who sell our securities in this offering or in the aftermarket. For sales of our securities, broker-dealers must make a special suitability determination and receive a written agreement from you prior to making a sale on your behalf. Because of the imposition of the foregoing additional sales practices, it is possible that broker-dealers will not want to make a market in our Common Shares or Warrants. This could prevent you from reselling your Common Shares or Warrants and may cause the value of your investment to decline.

FINRA sales practice requirements may limit your ability to buy and sell our Common Shares and Warrants which could depress the price of the Common Shares and Warrants.

FINRA rules require broker-dealers to have reasonable grounds for believing that an investment is suitable for a customer before recommending that investment to the customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status and investment objectives, among other things. Under interpretations of these rules, FINRA believes that there is a high probability such speculative low-priced securities will not be suitable for at least some customers. Thus, FINRA requirements may make it more difficult for broker-dealers to recommend that their customers buy our Common Shares and Warrants, which may limit your ability to buy and sell our Common Shares and Warrants, have an adverse effect on the market for our Common Shares and Warrants and, thereby, depress their market prices.

You may face significant restrictions on the resale of your Common Shares and Warrants due to state "blue sky" laws.

Each state has its own securities laws, often called "blue sky" laws, which: (1) limit sales of securities to a state's residents unless the securities are registered in that state or qualify for an exemption from registration; and (2) govern the reporting requirements for broker-dealers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or it must be exempt from registration. The applicable broker must also be registered in that state.

We do not know whether our securities will be registered or exempt from registration under the laws of any state. A determination regarding registration will be made by the broker-dealers, if any, who agree to serve as market makers for our Common Shares and Warrants. There may be significant state blue sky law restrictions on the ability of investors to sell, and on purchasers to buy, our securities. You should therefore consider the resale market for our Common Shares and Warrants to be limited, as you may be unable to resell your Common Shares or Warrants without the significant expense of state registration or qualification.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

The Company's management will have broad discretion in the application of the net proceeds from this offering and any proceeds from the exercise of the Warrants sold in this offering, including for any of the purposes described in the section entitled "*Use Of Proceeds*" and you will not have the opportunity as part of your investment decisions to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure by our management to apply these funds effectively could harm our business.

The Company is a foreign private issuer within the meaning of the rules under the Exchange Act, and as such it is exempt from certain provisions applicable to the United States domestic public companies.

The Company is a foreign private issuer within the meaning of the rules under the Exchange Act. As such, it is exempt from certain provisions applicable to United States public companies. For example:

- it is not required to provide as many Exchange Act reports, or as frequently as a domestic public company;
- for interim reporting, it is permitted to comply solely with our home country requirements, which are less rigorous than the rules that apply to domestic public companies;
- it is not required to provide the same level of disclosure on certain issues, such as executive compensation;
- it is exempt from provisions of Regulation FD aimed at preventing issuers from making selective disclosure of material information;
- it is not required to comply with the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;

- it is not required to comply with Section 16 of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and establishing insider liability for profits realized from any "short-swing" trading transaction.

Our shareholders may not have access to certain information they may deem important and are accustomed to receiving from U.S. reporting companies.

If we are a "passive foreign investment company", U.S. investors may be subject to adverse U.S. federal income tax consequences.

Potential investors in the units who are U.S. taxpayers should be aware that we anticipate that we may be classified as a "passive foreign investment company" or "PFIC" for the current tax year and future tax years. If the Company is a PFIC for any year during a U.S. taxpayer's holding period of Common Shares, Warrants or Warrant Shares (as defined below), then such U.S. taxpayer generally will be required to treat any gain realized upon a disposition of the Common Shares, Warrants or Warrant Shares or any so-called "excess distribution" received on its Common Shares and Warrant Shares, as ordinary income, and to pay an interest charge on a portion of such gain or distribution. Subject to certain limitations, these tax consequences may be mitigated if a U.S. taxpayer makes a timely and effective QEF Election (as defined below) or a Mark-to-Market Election (as defined below). Subject to certain limitations, such elections may be made with respect to the Common Shares and Warrant Shares. A U.S. taxpayer generally may not make a QEF Election or Mark-to-Market Election with respect to the Warrants. A U.S. taxpayer who makes a timely and effective QEF Election generally must report on a current basis its share of the Company's net capital gain and ordinary earnings for any year in which the Company is a PFIC, whether or not the Company distributes any amounts to its shareholders. A U.S. taxpayer who makes the Mark-to-Market Election generally must include as ordinary income each year the excess of the fair market value of the Common Shares or Warrant Shares over the taxpayer's basis therein. This paragraph is qualified in its entirety by the discussion below under the heading "*Material United States Federal Income Tax Considerations - Passive Foreign Investment Company Rules*." Each potential investor who is a U.S. taxpayer should consult its own tax advisor regarding the tax consequences of the PFIC rules and the acquisition, ownership, and disposition of the Common Shares, Warrants and the Warrant Shares.

There is currently no existing trading market for Warrants.

There is currently no market through which the Warrants may be sold and purchasers of such Warrants may not be able to resell such Warrants purchased under this Prospectus. There can be no assurance that an active trading market will develop for such Warrants after an offering or, if developed, that such market will be sustained. This may affect the pricing of such Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of such Warrants and the extent of issuer regulation. The public offering prices of the Warrants may be determined by negotiation between us and underwriters based on several factors and may bear no relationship to the prices at which the Warrants will trade in the public market subsequent to such offering. See "*Underwriting*".

Future sales may affect the market price of the Common Shares.

In order to finance future operations, we may determine to raise funds through the issuance of additional Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. We cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the dilutive effect, if any, that future issuances and sales of our securities will have on the market price of the Common Shares. These sales may have an adverse impact on the market price of the Common Shares.

As an "emerging growth company" under applicable laws, we will be subject to lessened disclosure requirements. Such reduced disclosure may make our Common Shares or Warrants less attractive to investors.

For as long as we remain an "emerging growth company", as defined in the JOBS Act, we will elect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies", including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Because of these lessened regulatory requirements, our shareholders would be left without information or rights available to shareholders of more mature companies. If some investors find our Common Shares or Warrants less attractive as a result, there may be a less active trading market for such securities and their market prices may be more volatile.

We incur significant costs as a result of being a public company, which costs will grow after we cease to qualify as an "emerging growth company."

We incur significant legal, accounting and other expenses as a public company that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and Nasdaq, impose various requirements on the corporate governance practices of public companies. We are an "emerging growth company", as defined in the JOBS Act, and will remain an emerging growth company until the earlier of : (1) the last day of the fiscal year (a) following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the U.S. Securities Act, (b) in which we have total annual gross revenue of at least US$1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common shares that is held by non-affiliates exceeds US$700 million as of the prior February 28th; and (2) the date on which we have issued more than US$1.0 billion in non-convertible debt during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act in the assessment of the emerging growth company's internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

Compliance with these rules and regulations increases our legal and financial compliance costs and makes some corporate activities more time-consuming and costlier. After we are no longer an emerging growth company, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 and the other rules and regulations of the SEC. For example, as a public company, we have been required to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We have incurred additional costs in obtaining director and officer liability insurance. In addition, we incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

Holders of our Warrants will have no rights as a common shareholder until they acquire our Common Shares.

Until you acquire common shares upon exercise of the Warrants, you will have no rights with respect to our common shares issuable upon exercise of such Warrants. Upon exercise of your Warrants, you will be entitled to exercise the rights of a common shareholder only as to matters for which the record date occurs after the exercise date.

The Warrants are speculative in nature.

The Warrants offered hereby merely represent the right to acquire Common Shares at a fixed price. Specifically, commencing on the date of issuance, holders of the Warrants may acquire the Common Shares issuable upon exercise of such Warrants at an exercise price of $[●] per share. Moreover, following this offering, the market value of the Warrants is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their public offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants and consequently, whether it will ever be profitable for holders of the Warrants to exercise the Warrants.

We will incur significant increased costs as a result of the listing of our securities for trading on Nasdaq. By becoming a public company in the United States, our management will be required to devote substantial time to new compliance initiatives as well as compliance with ongoing U.S. requirements.

Upon the listing of securities on Nasdaq, we will become a publicly traded company in the United States. As a public company in the United States, we will incur additional significant accounting, legal and other expenses that we did not incur before the offering. We also anticipate that we will incur costs associated with corporate governance requirements of the SEC, as well as requirements under Section 404 and other provisions of the Sarbanes-Oxley Act. We expect these rules and regulations to increase our legal and financial compliance costs, introduce new costs such as investor relations, stock exchange listing fees and shareholder reporting, and to make some activities more time consuming and costly. The implementation and testing of such processes and systems may require us to hire outside consultants and incur other significant costs. Any future changes in the laws and regulations affecting public companies in the United States, including Section 404 and other provisions of the Sarbanes-Oxley Act, and the rules and regulations adopted by the SEC for so long as they apply to us, will result in increased costs to us as we respond to such changes. These laws, rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, or as executive officers.

Nasdaq may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

We intend on having our Common Shares and Warrants listed on Nasdaq. We cannot guarantee that our securities will be approved for listing on Nasdaq; however, we will not complete this offering unless we are so listed. Although after giving effect to this offering we expect to meet, on a pro forma basis, the minimum initial listing standards set forth in the Nasdaq listing standards, we cannot assure you that our securities will be, or will continue to be, listed on Nasdaq in the future. In order to continue listing our securities on Nasdaq, we must maintain certain financial, distribution and stock price levels. Generally, we must maintain a minimum amount in shareholders' equity (generally $2,500,000) and a minimum number of holders of our securities (generally 300 public holders). Additionally, we will be required to demonstrate compliance with Nasdaq's initial listing requirements after this offering, which are more rigorous than Nasdaq's continued listing requirements, in order to continue to maintain the listing of our securities on Nasdaq. For instance, our share price would generally be required to be at least $4.00 per share, our shareholders' equity would generally be required to be at least$5.0 million and we would be required to have a minimum of 300 round lot holders of our securities (with at least 50% of such round lot holders holding securities with a market value of at least $2,500). We cannot assure you that we will continue to meet those initial listing requirements.

If Nasdaq delists our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our Common Shares come within the definition of "penny stock" which will require brokers trading in our Common Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." Because we expect that our Common Shares and Warrants will be listed on Nasdaq, our Common Shares and Warrants will be covered securities. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case.

You will experience immediate dilution in book value of any Common Shares you purchase.

Because the price per Common Share being offered is substantially higher than our net tangible book value per Common Share, you will suffer substantial dilution in the net tangible book value of any Common Share you purchase in this offering. After giving effect to the sale by us of Common Shares in this offering, based on an assumed public offering price of $[●] per Unit, which is the last reported sale price of our Common Shares on the OTCQB on [●], 2022, and after deducting underwriter's discount and commission and offering expenses payable by us, our as adjusted net tangible book value of our Common Shares would be approximately $[●] per Common Share as of August 31, 2021. If you purchased Common Shares in this offering, you will suffer immediate and substantial dilution of our as adjusted net tangible book value of approximately $[●] per Common Share. To the extent outstanding options or warrants are exercised, you will incur further dilution. See "Dilution" for a more detailed discussion of the dilution you will incur in connection with this offering.

The exercise of Warrants offered hereby will cause significant dilution to holders of our equity securities.

Holders of the Warrants may exercise their warrants into up to [●] Common Shares. In the event that the Warrants are exercised in full, the ownership interest of existing holders of our equity securities will be diluted. See "Dilution" for further information.

USE OF PROCEEDS

Assuming the sale of US$[●] of units in this offering, after deducting the estimated underwriting discounts and offering expenses payable by us and assuming no exercise of the underwriters' over-allotment option, we expect to receive net proceeds of approximately US$[●] from this offering.

Gross proceeds	US$[●]
Underwriting discounts and commissions (up to [●]% of gross proceeds)	US$[●]
Underwriting non-accountable expenses ([●]% of gross proceeds)	US$[●]
Miscellaneous underwriting fees expenses	US$[●]
Other offering expenses[(1)]	US$[●]
Net proceeds	US$[●]

(1) These consist of legal fees and expenses of approximately $[●], the Nasdaq listing fee of $[●], accountant and auditing fees and expenses of approximately $[●], and other fees of approximately $[●] and excludes those other offering expenses that have already been paid.

We intend to use the net proceeds of this offering as follows, and we have ordered the specific uses of proceeds in order of priority.

Description of Use	Estimated Amount of Net Proceeds
General and Administrative Expenses (12 months)	US$[1,300,000]
IPF/Chronic Cough	US$[500,000]
Stroke - DMT	
Phase 1	US$[1,600,000]
Phase 2 Acute	US$[2,500,000]
CKD - NP-251	
Preclinical	US$[800,000]
Phase 1	US$[800,000]
Unallocated Working Capital	US$[1,500,000]
Total	**US$**[9,000,000]

We would receive additional gross proceeds of approximately US$[●] if all of the Warrants included in the units are exercised, assuming no exercise of the underwriters' over-allotment option. We intend to use any such proceeds for working capital and general corporate purposes. General corporate purposes may include capital expenditures. Amounts listed are the total estimated to complete the listed phase. The Company has approximately CAD$2,000,000 in cash on hand as of January 20, 2022 in order to further fund operations and complete the programs noted in the use of proceeds table

DIVIDEND POLICY

To date, we have not paid any dividends on our outstanding Common Shares. The future payment of dividends will depend upon our financial requirements to fund further growth, our financial condition and other factors which our Board of Directors (the "**Board**" or "**Board of Directors**") may consider in the circumstances. We do not contemplate paying any dividends in the immediate or foreseeable futures.

CAPITALIZATION

The following table sets forth our capitalization as of August 31, 2021:

- on an actual basis,
- on a pro forma basis to reflect the application of net proceeds of US$[●] (excluding proceeds from the exercise of the over-allotment option, if any) after deducting the estimated offering expenses.

You should read this table in conjunction with our historical and pro forma financial statements and related notes appearing elsewhere in this prospectus and "*Use Of Proceeds*".

	As of August 31, 2021	
	Actual	**As of [●],2022 Proforma [(1)]**
Assets:		
Current assets	$4,909,261	$[●]
Restricted cash	$57,500	$[●]
Intangible assets	$5,170,871	$[●]
Total Assets	**$10,137,632**	$[●]
Liabilities:		
Current Liabilities	$1,022,314	$[●]
Derivative Liabilities	$nil	$[●]
Total Liabilities	**$1,022,314**	**$[●]**
Shareholder's Equity:		
Share Capital	$25,849,846	$[●]
Share-based payment reserve	$6,826,581	$[●]
Accumulated other comprehensive income	$(14,764)	
Deficit	$(23,546,345)	$([●])
Total Equity	**$9,115,318**	**$[●]**
Total Liabilities and Equity	**$10,137,632**	**$[●]**

(1) Converted into Canadian dollars as set out in "*Currency And Exchange Rates*".

Except as otherwise indicated, all information in this prospectus is based on 1,674,868 Common Shares outstanding as of January 20, 2022 and excludes the Common Shares being offered by this prospectus and issuable upon exercise of the Warrants and Compensation Warrants and also excludes the following:

- 155,750 Common Shares issuable upon the exercise of outstanding options, with a weighted-average exercise price of $11.02 per share;
- 356,587 Common Shares issuable upon the exercise of outstanding warrants with a weighted-average exercise price of $44.98 per share; and
- 15,433 Common Shares issuable upon the exercise of broker warrant units, with a weighted-average exercise price of $34.35 per broker warrant unit.

DILUTION

If you invest in our units, your interest in our Common Shares will be diluted to the extent of the difference between the offering price per unit and the pro forma net tangible book value per Common Share after the offering. Dilution results from the fact that the per unit offering price is substantially in excess of the book value per Common Share attributable to the existing shareholders for our presently outstanding Common Shares. Our net tangible book value attributable to shareholders at August 31, 2021 was $[●] or approximately $[●] per Common Share. Net tangible book value per Common Share as of [●], 2021 represents the amount of total assets less intangible assets and total liabilities, divided by the number of Common Shares outstanding.

Our pro forma as adjusted net tangible book value of our Common Shares as of [●], 2022 gives effect to the sale of Common Shares at the assumed public offering price of $[●] (or US$[●] converted as using the exchange rate as set out in "*Currency And Exchange Rates*") per Common Share, after deducting the underwriting discount and commission and estimated offering expenses. We will issue [●] Common Shares upon completion of the offering (and [●] additional Common Shares if the over-allotment option is exercised in full). Our post offering pro forma net tangible book value as of [●], 2022, which gives effect to receipt of the net proceeds from the offering and issuance of additional Common Shares in the offering, but does not take into consideration any other changes in our net tangible book value after [●], 2021, will be approximately $[●] or $[●] per Common Share (or $[●] or $[●] per Common Share if the over-allotment option is exercised in full). This would result in dilution to investors in this offering of approximately $[●] per Common Share (or $[●] per Common Share if the over-allotment option is exercised in full) or approximately [●]% (or [●]% if the over-allotment option is exercised in full) from the assumed offering price of US$[●] per unit ($[●]). Net tangible book value per Common Share would increase to the benefit of present shareholders by $[● per share attributable to the purchase of the units by investors in this offering (or $[●] if the over-allotment option is exercised in full).

The following table sets forth the estimated net tangible book value per Common Share after the offering and the dilution to persons purchasing units based on the foregoing offering assumptions.

	Offering Without Over-Allotment[(1)]	Offering With Over-Allotment[(1)]
Offering price per unit (US$[●])	US$[●]	US$[●]
Offering Price ($[●])	$[●]	$[●]
Net tangible book value per Common Share before the offering	$[●]	$[●]
Increase per Common Share attributable to payments by new investors	$[●]	$[●]
Pro forma net tangible book value per Common Share after the offering	$[●]	$[●]
Dilution per Common Share to new investors	$[●]	$[●]

(1) U.S. dollar amounts converted into $ as set out in "*Currency And Exchange Rates*".

Except as otherwise indicated, all information in this prospectus is based on 1,674,868 Common Shares outstanding as of January 20, 2022 and excludes the Common Shares being offered by this prospectus and issuable upon exercise of the Warrants and Compensation Warrants and also excludes the following:

- 155,750 Common Shares issuable upon the exercise of outstanding options, with a weighted-average exercise price of $11.02 per share;
- 356,587 Common Shares issuable upon the exercise of outstanding warrants with a weighted-average exercise price of $44.98 per share; and
- 15,433 Common Shares issuable upon the exercise of broker warrant units, with a weighted-average exercise price of $34.35 per broker warrant unit.

A US$[●] increase or decrease in the assumed public offering price per unit would increase or decrease our pro forma as adjusted net tangible book value per share after this offering by approximately $[●] per share (or $[●] per share if the over-allotment is exercised in full), and increase or decrease the dilution per share to new investors by approximately $[●] per share (or $[●] per share if the over-allotment is exercised in full), assuming the number of Common Shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the underwriting discount and estimated offering expenses payable by us.

If any Common Shares are issued upon exercise of outstanding options or Warrants, you may experience further dilution.

COMPANY INFORMATION

History and Development of the Company

Algernon Pharmaceuticals Inc. was incorporated pursuant to the laws of the Province of British Columbia, Canada, on April 10, 2015 as "PBA Acquisitions Corp.", a wholly-owned subsidiary of Petro Basin Energy Corp. ("**Algernon Parent**"). On July 23, 2015, the Company changed its name to "Breathtec Biomedical, Inc.". The Company entered into an arrangement agreement with Algernon Parent. The arrangement agreement and associated plan of arrangement were approved by Algernon Parent's shareholders on July 30, 2015, and approved by the Ontario Superior Court of Justice (Commercial List) on August 5, 2015. The plan of arrangement was completed on September 23, 2015. On February 19, 2019, the Company changed its name to "Algernon Pharmaceuticals Inc.".

Corporate Headquarters

The Company's principal executive offices are located at Suite 915 - 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8. Our phone number is (604) 218-6281.

Subsidiaries

The Company has two wholly-owned subsidiaries, Nash Pharmaceuticals Inc. ("**Nash Pharma**"), a corporation subsisting under the laws of the Province of British Columbia, Canada, and Algernon Research PTY Ltd. ("**AGN Research**"), an Australian proprietary company established on January 6, 2020.

Acquisition of Nash Pharmaceuticals Inc.

On October 19, 2018, the Company acquired all of the issued and outstanding shares of Nash Pharma, a clinical stage pharmaceutical development company focused on drug repurposing in the areas of NASH, CKD and IBD. Through its ongoing research programs, Nash Pharma has developed data that supports the advancement of up to seven drug candidates into phase II trials.

Pursuant to the terms of a share exchange agreement (the '**Share Exchange Agreement**') dated October 5, 2018 among the Company, Nash Pharma and the securityholders of Nash Pharma, the Company issued 158,000 Common Shares to the shareholders of Nash Pharma at an issue price of $22.00 per Common Share. Existing warrants to purchase common shares of Nash Pharma were cancelled and were replaced with 148,000 Common Share purchase warrants of the Company, each having an exercise at a price equal to the exercise price of the Nash Pharma warrants.

Share Consolidation

On October 16, 2018, the Company consolidated its Common Shares on a two for one basis and began trading on the CSE on a post-consolidated basis effective October 17, 2018.

On November 23, 2021, the Company consolidated its Common Shares on a one hundred for one basis.

Name Change

Effective February 19, 2019, the Company changed its name to "Algernon Pharmaceuticals Inc.".

Algernon Research Pty Ltd.

On January 6, 2020, Nash Pharma established AGN Research, its wholly-owned subsidiary, in Australia. AGN Research is a proprietary company formed with the aim to provide supporting scientific research activities to Nash Pharma.

The SEC maintains an Internet site that contains periodic reports and other information filed by issuers that are subject to reporting requirements under the Exchange Act: http://sec.gov. The Company's Internet address is: http://algernonpharmaceuticals.com. We do not incorporate the contents of our website into this Registration Statement. Information on our website does not constitute part of this Registration Statement.

BUSINESS OVERVIEW

General

Algernon is a drug re-purposing company that investigates safe, already approved drugs, including naturally occurring compounds, for new disease applications, moving them efficiently and safely into new human trials, developing new formulations and seeking new regulatory approvals in global markets. Algernon specifically investigates compounds that have never been approved in the U.S. or Europe to avoid off label prescription writing, which can interfere with the normal economic pricing models of newly approved drug treatments.

The Company's early research identified a number of drug candidates that had already been approved for other diseases outside of the U.S and E.U. Only drugs that have not been approved in the U.S or Europe were chosen to avoid off-label prescription writing. The Company is actively investigating new disease areas including: CKD, IPF and chronic cough, stroke, and pancreatic and small cell lung cancer. In addition to these indications, the Company has additional drug candidates it is considering advancing where the Company has performed preclinical studies and filed intellectual property.

The Company's lead candidate is Ifenprodil, which is being investigated by the Company in multiple disease indications. Ifenprodil is an N-methyl-D-aspartate ('**NMDA**') receptor antagonist specifically targeting the NMDA-type subunit 2B (GluN2B). Ifenprodil prevents glutamate signalling. The NMDA receptor is found on many tissues including lung cells and T-cells, neutrophils. Ifenprodil (brand name Cerocral) was initially developed by Sanofi in the 1990s in the French and Japanese markets for the treatment of circulatory disorders. Although no longer available in France, the drug is highly genericized and sold in Japan and South Korea.

NMDA receptors also regulate the signalling of mTOR a serine/threonine kinase, which has been identified as a therapeutic target for many types of cancers. Their expression on several human cancer cell lines represents a potential therapeutic avenue to control dysregulated growth, division, and invasiveness.

The Company is investigating Ifenprodil for IPF and chronic cough and is conducting a Phase 2 study in Australia and New Zealand. The purpose of this proof-of-concept trial is to determine the efficacy of Ifenprodil in the preservation of lung function in IPF patients (including biomarkers of fibrosis) and its associated cough. On May 6, 2020, the Company received ethics approval from the Royal Brisbane & Women's Hospital, Human Research Ethics Committee. The Phase 2 IPF and Chronic Cough trial began on August 5, 2020, and it was announced that the trial achieved 70 % enrollment on July 7, 2021. Costs related to the IPF and Chronic Cough study in Australia and New Zealand, estimated to cost approximately $1.2 million, will paid for by the Company with cash on hand.

The Company has also retained Organic Consultants, Inc. (dba Cascade Chemistry) to produce the active pharmaceutical ingredient ("**API**") of Ifenprodil. Algernon made the decision to scale-up 'current good manufacturing practice' ("**cGMP**") manufacturing of Ifenprodil to support its IPF and Chronic Cough clinical program. The Company has manufactured its first multi-kilogram batch of cGMP material produced. Stability testing of the API is on-going. The Company filed a pre-IND application with the FDA to seek guidance on the use of Algernon's planned new propriety injectable and slow release formulation. The FDA advised that for the toxicology program of a new intravenous formulation, a single animal 30-day study would be acceptable. The Company's estimated cost of manufacturing of finished product is approximately $500,000.

Since all of Algernon's lead compounds are genericized, there is historical data available on each compound's mechanism of action as it relates to the disease it was originally developed to treat. The Company has decided not to pursue independent confirmation as to whether these known pathways are involved in the specific biochemical interaction that produced the pharmacological effect seen in the Company's animal model research.

Business Strategy

The Company is engaged in advancing (i) Ifenprodil into phase II clinical trials for the global disease areas of IPF and Chronic Cough, and into phase I clinical trials for the global disease areas of pancreatic and small cell lung cancer, (ii) DMT to start phase I clinical trials for the global disease area of stroke, and (iii) NP-251 to complete preclinical trials and to start phase I clinical trials for the global disease of CKD.

The compounds being advanced by the Company have all been tested in disease-specific pre-clinical*in vivo* animal research studies, using either the leading approved drug for the indication or an advanced clinical candidate as a positive control in cases where no appropriate approved drug was available. Only candidates which showed equal or better efficacy than the positive controls in these animal studies were considered for advancement. The Company is currently conducting a Phase II study in Australia in idiopathic pulmonary fibrosis and chronic cough, and early in 2021 completed a phase II study in COVID-19; the Company's other programs have yet to begin human trials for the Company's target indications.

Algernon's business strategy is to advance a number of its lead compounds into human clinical trials as efficiently and as cost-effectively as possible by leveraging the currently existing regulatory approval and finished product supply in the country of origin where the drugs were originally approved. Conducting off label phase II trials in the drugs' currently approved market would save the company from having to synthesize the compounds and conduct all of the preclinical toxicology work. This additional work would in comparison, add significant time and costs to the Company's development timeline and budget.

Under some conditions, if a repurposed drug is being currently manufactured, it may be possible to access this supply in order to conduct early-stage clinical trials, so that the Company may not need to manufacture its own supply. However, there may be other conditions where the Company may also choose to engage in its own manufacture. This would include conducting multiple trials for different diseases with the same lead compound. A final decision will be made on which compounds, diseases and locations will be included in the phase II trials once all of the feasibility studies are completed.

The Company is planning to conduct a minimum of two phase II clinical trials simultaneously in order to improve the Company's potential of success. Ensuring the Company is not conducting and relying on a single phase II clinical trial is key part of the current strategy.

Subject to the success of the phase II trials, the Company plans to engage in licensing, partnership and or acquisition (as the target) discussions with a number of larger pharmaceutical partners. If for whatever reason, a partnership, license or acquisition opportunities do not materialize, the Company will explore moving all successful phase II compounds forward into phase III clinical trials.

At present, the Company does not plan to develop a sales team to advance the marketing sales and distribution of any of its lead compounds if such compounds achieve regulatory approval in any given market. The Company's strategy is to look for moments of inflection where the potential exists to be able to consummate the best possible licensing, partnership or acquisition transaction.

Phase I and Phase II Clinical Trials

The Company has initiated a number of feasibility studies in order to determine the best geographical location to run its planned Phase I or Phase II trials based on a number of factors including availability of finished product and the suitability of the country where the drug is registered. Some of the compounds have been approved in multiple jurisdictions.

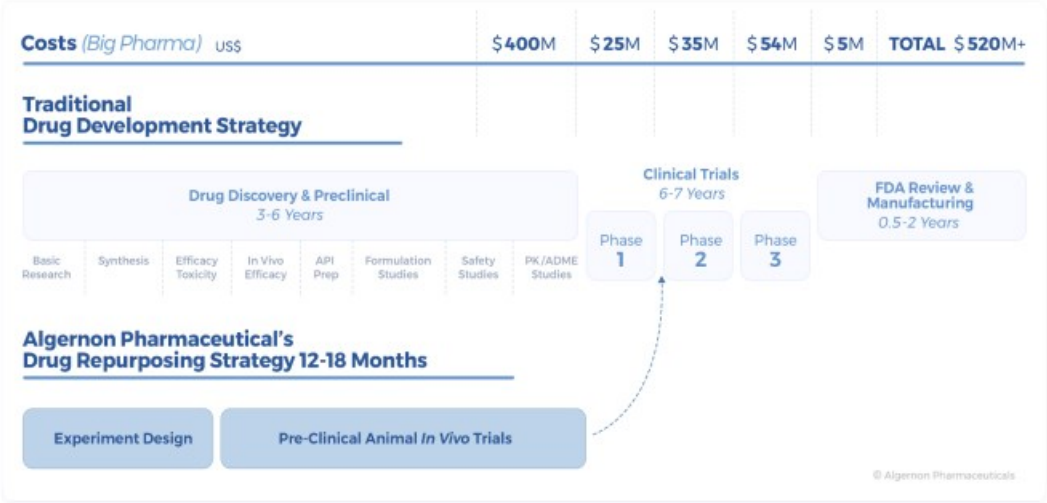
As part of its feasibility study process the Company has developed an investigational brochure for three of its lead compounds. These investigational brochures include a protocol synopsis of the planned study as well as the historical safety data for the compounds.

Since the size of the planned phase II trial (i.e. number of patients) is dependent on the strength of the data achieved from the pre-clinical research, the Company has received initial cost estimates for 2 phase II trials as part of the feasibility process.

Regulatory - Drug Development

The regulatory pathway for drug development is well established in most major world markets. The most familiar in terms of stages and timing is the FDA pathway which has been estimated for discussion purposes and illustrated in the below diagram.

Drug discovery and pre-clinical describes all of the work and stages prior to testing the compound in human beings. A phase I study is the first point in which the compound begins testing in human beings. All new chemical entities must successfully follow the below pathway in order to achieve regulatory approval and to begin sales to the public.



Algernon's drug discovery program is based on repurposing drugs that have already been approved. Successful drug repurposing is based on finding new uses for known and safe drugs in order to treat and manage new diseases. Since Algernon's lead compounds already have a well-established safety history and have already undergone pre-clinical testing when they were originally developed, the compounds are eligible in the market(s) where they were first approved, to be moved directly into off label phase II clinical studies.

Typically, in order for the Company to be able to move its lead compounds into phase II clinical trials, the finished drug product needs to be available for purchase and the drug needs have an active registration in a market where clinical testing can be successfully executed. The next step is for the Company to conduct what is known as an off-label phase II clinical study confirming that the drug shows efficacy in human beings for the new disease.

Since Algernon only screened compounds that were from Russia, Korea, Ukraine and Japan, none of the currently identified finished product manufacturers meet the cGMP standard of production for entry into an FDA study. As a result it is unlikely that the data from the phase II study would be able to be used in a future phase III trial application. However, if any of the Company's lead compounds are successful in their respective phase II studies, the Company would then begin the process of synthesizing and conducting all of the toxicology and safety studies under cGMP and 'good laboratory practice' conditions in order to move forward to phase III study in the U.S.

Prior to a decision to begin synthesizing any compounds, the Company intends to seek out a favourable licensing, partnership or acquisition transaction (as the target) after the completion of a phase II clinical trial that met its primary and/or secondary endpoints.

Development of A Therapy for Chronic Kidney Disease (CKD)

Algernon's lead compound for the treatment and management of CKD is NP-251, an orally administered small molecule. CKD involves the gradual loss of kidney function leading to kidney failure. Advanced stage CKD leads to dangerous accumulation of fluid, electrolytes and waste in the body. CKD can progress to end-stage kidney failure, which is fatal without artificial filtering (dialysis) or a kidney transplant. Treatment for chronic kidney disease focuses on slowing the progression of the kidney damage, usually by controlling the underlying cause.

The global market for CKD drugs continues to proliferate at a significant pace, driven by the increasing number of CKD patients and the growing need of novel treatments to improve patients' quality of life. According to Research and Markets, the global CKD drugs market was valued at US$12.4 billion in 2016, and is expected to reach US$17.4 billion by 2025, expanding at a compound annual growth rate of 3.9% from 2017 to 2025.

The Company conducted two separate animal *in vivo* mouse studies using a UUO mouse model of kidney fibrosis conducted by Murigenics.

CKD *In Vivo* Study # 1, January 2019

In this study, mice were randomly assigned to receive either vehicle or one of the Company's test articles (N = 8 per arm). Animals were subjected to surgical ligation of the left ureter; a negative control group instead underwent a sham procedure. The animals were treated for 14 days, then sacrificed and subjected to histopathogical examination. Animals were also observed daily for their general condition. Data were analyzed using two-way ANOVA with a Bonferroni correction for multiple comparisons. Key results from the study were as follows:

- In animals treated with NP-251 (30 mg/kg), there was a 33% reduction in fibrosis as measured by Sirius red staining ($p = NS$) and a reduction of blood urea nitrogen, a marker of kidney function ($p < 0.05$) compared to vehicle;
- Telmisartan (5 mg/kg), a positive control in the study and a current standard of care for CKD, reduced fibrosis by 42.2% ($p = 0.004$); telmisartan also reduced blood urea nitrogen but the reduction was not statistically significant; and
- No adverse effects were observed in any of the treatment groups.

CKD *In Vivo* Study # 2, March 2019

A second CKD study was performed using the same experimental conditions as the first. Group size was increased (N = 10/arm) and the number of candidates was reduced to increase statistical power. Two doses of NP-251 were tested (30 mg/kg and 90 mg/kg). Telmisartan (3 mg/kg) was again used as a positive control. Cenicriviroc (40 mg/kg), a CCR2/5 chemokine receptor antagonist with reported anti-fibrotic activity, was used as a second positive control. Key results from the study were as follows:

- Telmisartan (3 mg/kg), reduced fibrosis by 32.6% ($p < 0.001$);
- Cenicriviroc (40 mg/kg) reduced fibrosis by 31.9% ($p = 0.00032$);
- NP-251 (30 mg/kg) reduced fibrosis by 21% ($p = NS$);
- NP-251 (90 mg/kg) reduced fibrosis by 50.6% ($p < 0.000001$);
- NP-251 (30 mg/kg) in combination with telmisartan (3 mg/kg) reduced fibrosis by 54.2% ($p < 0.000001$);
- In the group treated with NP-251 (30 mg/kg) in combination with telmisartan (3 mg/kg) the mass of the fibrotic kidney was lower than the negative control ($p < 0.001$);
- Both doses of NP-251 led to significant reduction in blood urea nitrogen compared to vehicle ($p < 0.05$); and
- No adverse effects were observed in any of the treatment groups.

The Development of a Therapy for IPF and Chronic Cough

IPF is a type of chronic lung disease characterized by a progressive and irreversible decline in lung function and scarring (fibrosis) of the lungs. There is no cure for IPF and there are currently no procedures or medications that can remove the scarring from the lungs.

According to a report from research and consulting firm, GlobalData's, the IPF market is projected to rise from just over US $900 million in 2015 to US $3.2 billion by 2025, assuming a CAGR of 13.6%. Such growth is expected to occur across the seven major markets of the USA, France, Germany, Italy, Spain, the UK and Japan, and primarily be driven by the increased use of expensive therapies, the anticipated launches of two novel therapies, FibroGen's FG-3019 and Promedior's PRM-151, and a rise in diagnosed prevalent cases of the disease.

According to a research report from IndustryARC, the cough remedies market size was estimated to be US $11.40 billion in 2018, and is projected to grow at a CAGR of 6.64% during 2019-2024. Pleasant taste and easy intake of oral syrups are among the key factors driving the global cough remedies market. Some traditional cough remedies include drinking honey, bromelain and bacterial microbes. Further, some new generation cough remedies include corticosteroids, bronchodilators and antibiotics. Currently there is no approved treatment for this condition.

A chronic (persistent) cough is a cough lasting eight weeks or longer in adults, or four weeks in children. Chronic cough can interrupt sleep, cause exhaustion and in severe cases can cause serious vomiting, light-headedness and rib fractures.

A dry, non-productive cough is a very common symptom of IPF. At least 70%-85% of patients with IPF have a dry cough, which can often get worse on exertion.

The company conducted two preclinical studies in a 21-day bleomycin mouse model with established fibrosis in (treatment began on Day 7) conducted by Murigenics.

IPF *In Vivo* Study #1

Healthy young mice were randomly assigned to receive either vehicle or one of the Company's test articles (N = 10 per arm). Animals were first challenged intratracheally with bleomycin, and fibrosis was allowed to establish for 7 days; a control group received no bleomycin challenge. Then, the animals were treated for 14 days, at which point they were sacrificed, and lung fibrosis measured by trichrome staining and modified Ashcroft scoring. Significance was determined by two-way ANOVA followed by a Bonferroni multiple comparisons test. Throughout the study, animals were also observed for their general condition. Key results were as follows:

- The group treated with the positive control dexamethasone (0.25 mg/kg) experienced a 60% reduction in fibrosis compared to vehicle control ($p < 0.05$).
- Treatment with ifenprodil (30 mg/kg) reduced fibrosis by 34% compared to vehicle, (p = NS);
- Radiprodil, which shares the same target and similar pharmacology as Ifenprodil, also reduced fibrosis to a similar level as Ifenprodil at the same dose, suggesting a class effect of the pharmacophore (p = NS);
- Treatment with Pirfenidone (300 mg/kg) reduced fibrosis by 14% compared to vehicle (p = NS). Pirfenidone is a marketed treatment for IPF;
- All groups lost bodyweight in the first seven days; over the next 14 days the animals treated with ifenprodil, radiprodil and dexamethasone recovered to their initial weight, whereas the group treated with pirfenidone did not increase (p = not determined); and
- No other adverse effects were observed in any of the treatment groups.

IPF *In Vivo* Study #2

A second study under the same experimental conditions was performed with a narrower range of candidates in order to improve statistical power, and included the approved treatments pirfenidone (100 mg/kg twice daily) and nintedanib (40 mg/kg once daily) as positive controls. Lung fibrosis was measured by trichrome staining and modified Ashcroft scoring.

- Pirfenidone (100 mg/kg, twice daily), showed a 44% reduction in fibrosis versus untreated controls (p = NS);
- Nintedanib (40 mg/kg, once daily), showed a 51% reduction in fibrosis versus untreated controls ($p < 0.05$);
- Ifenprodil (4 mg/kg, thrice daily) showed a 56% reduction in fibrosis versus untreated controls (p = 0.015);
- As in the first experiment, all animals gained weight during the treatment period with the exception of pirfenidone; and
- No other adverse effects were seen in any of the treatment groups.

Acute Cough *In Vivo* Study

In this study, guinea pigs were pre-treated with the test article or vehicle, then exposed to a citric acid challenge to induce a cough response. The number of coughs and the delay of onset of the first cough were used as measured of efficacy. Gefapixant, a P2X3 inhibitor developed by Merck and in Phase 3 clinical trials for chronic cough was used as a positive control. Statistical significance was determined using one-way ANOVA, with comparisons controlled used a Dunnett's test. The study was performed at Pharmidex.

Data from this study demonstrated that at clinically relevant doses

- Ifenprodil (1.5 mg/kg) showed a reduction of 42% in mean cough frequency versus untreated control ($p < 0.01$);
- Gefapixant (3.5 mg/kg) showed a 20% reduction in mean cough frequency versus untreated control ($p < 0.05$);
- Ifenprodil (59.8 seconds) showed a statistically significant delay in the onset of the first cough when compared to control (34.2 seconds, $p < 0.05$); and
- Gefapixant (49.7 seconds) showed a non-statistically significant delay in the onset of the first cough when compared to control (34.2 seconds, p = NS).

The Company is investigating Ifenprodil for IPF and chronic cough and is conducting a Phase 2 study in Australia and New Zealand. Results from this study are expected in Q2, 2022.

On September 20, 2021, the company announced interim data from the cough portion of its Phase 2 IPF and Cough study. The company observed a trend towards reduction in both the total and waking 24-hour cough counts after 12 weeks of treatment compared to baseline, as measured by an ambulatory cough monitor. The data were reported in descriptive format and no test was performed for statistical significance.

On October 7, 2021 the Company filed a Pre-IND application with the US FDA to seek guidance on a planned clinical program for the treatment of refractory chronic cough.

Ifenprodil Manufacturing

The Company retained Organic Consultants, Inc. (dba Cascade Chemistry) to produce the active pharmaceutical ingredient ("**API**") of Ifenprodil. The Company has now completed the process of having the first multi-kilogram batch of cGMP material produced, at which point toxicology studies can begin. The Company filed a pre-IND application with the U.S. FDA to seek guidance on the use of Algernon's planned new propriety injectable and slow-release formulation. The FDA advised that for the toxicology program of the new intravenous Ifenprodil formulation, a single animal 30-day study would be acceptable.

The Development of a Therapy for Stroke

Launch of Clinical Research Program on Dimethyltryptamine

On February 1, 2020, the Company announced the launch a clinical research program for stroke focused on*N,N*-Dimethyltryptamine, a known psychedelic compound that is part of the tryptamine family (other drugs in the tryptamine family include psilocybin and psilocin.) Algernon plans to be the first company globally to pursue DMT for ischemic stroke in humans.

On May 17, 2021, the Company received positive feedback from the U.S. Food and Drug Administration (FDA) regarding its plans to investigate DMT as an adjunct to physical therapy in the rehabilitation of stroke.

One June 17, 2021 the Company announced that all of the required permits and licenses for the manufacture of its cGMP supply of DMT have been received and as a result, is targeting its Phase 1 human study to be conducted at Hammersmith Medicines Research UK in Q1, 2022.

The Company's decision to investigate DMT and move it into human trials for stroke is based on multiple independent, positive pre-clinical studies demonstrating that DMT helps promote neurogenesis as well as structural and functional neural plasticity. These are key factors involved in the brain's ability to form and reorganize synaptic connections, which are needed following a brain injury.

A recently published pre-clinical study in an animal model for stroke, showed that rats treated with DMT recovered motor function more quickly and to a greater extent and also exhibited lower lesion volumes when compared to control group animals that did not receive DMT. Key data from the study achieved statistical significance.

Unlike other companies recently researching psychedelic drugs, Algernon will be focusing on a sub-hallucinogenic, or microdose of DMT provided by continuous intravenous administration. By pursuing a continuous active microdose, the goal will be to provide patients with the therapeutic benefits of DMT, without having a psychedelic experience. This is an important element when considering treating a patient who has just suffered a stroke, wherein medications that cause a hallucinogenic response would not be preferred.

The Company also believes that a microdosing approach to developing a DMT treatment may enable a much wider review and acceptance of its data, including garnering the early interest of research investigators, the interest of clinical trial patients and ultimately clinical acceptance.

Global Stroke Treatment Market: Overview

According to a 2019 report from Transparency Market Research:

- the global stroke treatment market was valued at approximately US$8 billion in 2018;
- projected to grow at a compound annual growth rate ("**CAGR**") of approximately 7% over the forecast period, the global stroke treatment market is expected to reach a value of approximately US$15 billion by the year 2027;
- rise in the prevalence of stroke across the world, surge in the elderly patient pool, and rapid rise in comorbidities such as atrial fibrillation, diabetes, and hypertension leading to high risk of developing stroke are anticipated to drive the global stroke treatment market during the forecast period;
- North America is the leading regional market in the global stroke treatment market, and will continue to have a major share throughout the forecast period of 2019 to 2027.

DMT, or *N,N*-Dimethyltryptamine is a hallucinogenic tryptamine drug producing effects similar to those of other psychedelics like LSD, ketamine, psilocybin and psilocin. DMT occurs naturally in many plant species and animals and has been used in religious ceremonies as a traditional spiritual medicine by indigenous people in the Amazonian basin. DMT can also be synthesized in a laboratory.

At higher doses, DMT has a rapid onset, intense psychedelic effects, and a relatively short duration of action with an estimated half-life of less than fifteen minutes. Like other hallucinogens in the tryptamine family, DMT binds to serotonin receptors to produce euphoria and psychedelic effects. Because the effects of DMT do not last very long, it has been referred to as the "businessman's trip".

Named the "Spirit Molecule" by Dr. Rick Strassman, an American clinical associate professor of psychiatry and DMT research pioneer, DMT has been shown to induce neuroplasticity in a number of key pre-clinical studies. DMT is believed to activate pathways involved with forming neuron connections and has been shown in studies to increase the number of dendritic spines on cortical neurons. Dendritic spines form synapses (connections) with other neurons and are a major site of molecular activity in the brain.

While Dr. Strassman's Phase 1 bolus intravenous human study identified the sub-hallucinogenic dose of DMT in man, another pre-clinical animal study demonstrated this same dose level still retains the neuroplastic effect seen in higher hallucinogenic doses.

Algernon will be investigating an intravenous sub-hallucinogenic dose of DMT in its research and clinical studies.

DMT - Building the Case for Stroke

Data from a study published in Experimental Neurology, in May 2020 showed that in a rat model of cerebral ischemia-reperfusion injury, DMT reduced the infarct (dead cells) volume and improved functional recovery.

Key Findings:

- Animals treated with DMT displayed lower lesion volumes than control animals measured by MRI 24 hours following the occlusion ($p = 0.0373$);
- Animals in the DMT group improved motor function more quickly and to a greater extent than the control group; The differences became significant on the 4th day ($p = 0.0325$) and persisted throughout a 30-day follow-up; and
- mRNA expression of brain-derived neurotrophic factor (BDNF) was upregulated in both the peri-infarct cortex ($p = 0.0273$) and contralateral cortex ($p = 0.0048$) as well as in serum ($p < 0.0001$). BDNF is a key facilitator of neuroplasticity.

Algernon's Preclinical Research Plan

The Company intends to conduct a number of pre-clinical research experiments to guide the Company as it advances towards it planned clinical trials. Studies will include:

1. Potency of multiple new forms of DMT
2. Toxicology
3. Treatment timing and duration
4. DMT in combination with constraint induced movement therapy

The Company hired Charles River, whose center in Kuopio, Finland is a world leading site for neurologic research, to perform its preclinical studies. Charles River has the necessary controlled-substance permits to carry our research with DMT.

Algernon's DMT Clinical Research Plan

1. Ischemic Stroke

Each year there are approximately 15 million strokes that occur globally with 700,000 strokes occurring in the U.S. alone. Approximately 85% of all strokes are ischemic strokes, which occur when a blood clot blocks blood flow to the brain.

Currently, medication treatments for ischemic stroke are primarily limited to Tissue Plasminogen Activator ("**TPA**") or blood thinners. However, these treatments are stroke type specific and cannot be given until the patient has received a CT scan to determine if the stroke is ischemic or haemorrhagic. Patients being treated with TPA must receive the drug within 3 hours of the injury. As a result, only 5% of stroke patients receive TPA.

Additional treatment options involve surgical intervention such as catheter embolectomy and decompressive craniotomy.

Based on its pre-clinical data research conducted by others, Algernon plans to test DMT in the clinic in patients as soon as possible after the stroke injury occurs. If it is established in the Company's pre-clinical research phase that DMT can be used to treat both haemorrhagic and ischemic stroke, the patient will not have to wait for a CT scan and treatment can begin immediately, possibly while being transported to the hospital.

Algernon's pre-clinical research is designed to help establish the optimal treatment period duration for DMT as well as the clinically effective sub-hallucinogenic dose.

2. Post-Stroke Rehabilitation

Sixty-five percent of stroke survivors will end up with from some form of disability after having suffered a stroke. Intensive physical rehabilitation has been shown by researchers to improve function and reduce long-term disability.

While Algernon will investigate DMT to treat a patient as quickly as possible after the stroke occurs, it will also investigate the potential of the drug as a treatment during the rehabilitative process. Rehabilitation therapy, which includes motor-skill exercises, mobility training and range-of-motion therapy, and can begin as soon as 24 to 48 hours after the stroke has occurred.

One specific type of rehabilitation therapy is called Constraint-induced Movement Therapy ("**CIMT**"). It is focused on improving upper extremity function in stroke patients and involves intensive training of the weaker arm while restricting the use of the stronger arm.

Algernon will investigate DMT in pre-clinical animal models of CIMT for the promotion of neurogenesis and structural and functional neural plasticity during various time periods after the stroke has occurred.

If the final data is positive, the Company will move DMT into a separate clinical trial to test for its efficacy as a post stroke rehabilitation adjunctive treatment.

Pathway to Clinic

1. Pre-IND U.S. FDA & Scientific Advice Meeting UK MHRA

Based on historical data showing that several DMT Phase 1 studies have already been conducted, the Company believes that it will be able to use this data to seek approval to begin its own Phase 1 study without having to complete certain toxicology work, but can give no assurance either the FDA or Health Canada will agree.

In a Pre-IND request submitted March 16, 2021, Algernon sought direction from the FDA regarding the design and scope of the Company's preclinical and early phase stroke clinical programs. The FDA response showed they are in agreement with the Company's planned preclinical efficacy experiments and offered guidance with regards to supportive preclinical safety studies. In addition, the FDA provided valuable input into the design of the Company's planned Phase 1 clinical trial, which will be conducted through Hammersmith Medicines Research in the UK, in Q1 2022.

The Company filed a Scientific Advice Meeting Request with the UK MHRA in order to obtain additional insight and options for the Company's planned clinical research program. The meeting was held on November 18, 2021. The Agency was supportive of the Company's proposed clinical plans, and confirmed that no additional preclinical studies were necessary in order to begin human trials in the UK.

2. U.S. FDA

At present, the Company's business activities surrounding DMT are strictly based on either pre-clinical research or clinical trials being conducted by third parties. The regulatory steps required to gain approval for DMT are the same as any other drug or compound being studied. While each global jurisdiction has their own approval process (which often defaults to FDA approval) the FDA rules and guidelines are considered the gold standard. The drug approval process includes successfully navigating through Phase 1, 2 and 3 clinical studies and based on the strength of the data, applying for marketing approval. Since DMT is currently a Schedule 1 drug, for DMT to be approved in the U.S. for sale, there will need to be some communication and agreement between the FDA and the DEA to allow for its sale for a clinical purpose in the U.S.

The Company also believes that a microdosing approach to developing a DMT treatment may enable a much wider review and acceptance of its data, including garnering the early interest of research investigators, the interest of clinical trial patients and ultimately clinical acceptance.

Regardless of where the Company's clinical trial will be conducted, only the various parties that manufacture, ship, receive and handle DMT will be required to have all required licenses and permits and the Company will be undertaking to ensure that these are all in order. DMT is a controlled substance in most countries globally and the import and export of it is closely scrutinized and monitored.

Pre-Clinical Research

On February 8, 2021, the Company appointed Charles River Laboratories ("**Charles River**") to conduct its preclinical (non-human testing) research work, which will be conducted in Finland. The pre-clinical research will include:

1. Conducting a cortical neurite outgrowth study, which is a study that looks at the neuronal effects of DMT over various time periods and durations. This research is being conducted *in-vitro*. This research will be required before the start of the Phase 1 clinical study;

2. Investigating DMT and its effects in an animal model of hemorrhagic stroke. This research will be required before the start of the Phase 2 clinical study; and

3. Investigating DMT in an animal ischemic stroke model to validate and extend the scope of the data that was developed in a similar study last year by Dr. Nardai of Department Section of Vascular Neurology, Heart and Vascular Center, Semmelweis University, Budapest, Hungary. This research will be required before the start of the Phase 2 clinical study.

The contract with Charles River can be cancelled at any time by the Company, subject to the payment of charges for any outstanding work orders. The Company will own the rights to all results of the pre-clinical research conducted by Charles River.

Charles River requires the following three permits to conduct this research in Finland, all of which have been granted:

1. DMT Handling permit, granted by the Finnish Medicines Agency ("**FIMEA**");

2. DMT Import permit: granted by FIMEA; and

3. DMT Export permit: granted by Health Canada. The DMT has already been shipped and received at Charles River.

Phase 1 Clinical Research

The Phase 1 clinical trial on DMT involves the study of safety and dosing of DMT in healthy individuals. The Company anticipates commencing the Phase 1 clinical trial by the end of 2021 after the Company completes the Phase 1 study protocol. The Company has engaged Hammersmith Medicines Research in the United Kingdom ("**Hammersmith**") to conduct the Company's Phase 1 clinical trials for DMT. Under U.K. law, Hammersmith requires a Schedule 1 license and a "Manufacture/Import Authorisation" (known as an MIA(IMP)) in order to handle DMT and conduct the Phase 1 trials.

Hammersmith presently has both the required licence and authorisation, but Hammersmith will need to apply for a study-specific Schedule 1 license as well. The Phase 1 trial must also be approved by the Medicines and Healthcare Products Regulatory Agency (the "**MHRA**") and its research ethics committee, which is expected to take approximately five weeks. The MHRA regulates medicines, medical devices and blood components for transfusion in the U.K. Upon receipt of approval from the MHRA, Hammersmith will make an application to the Home Office of U.K. for a study-specific Schedule 1 licence, which is expected to take approximately one month from the date the application is made.

There can be no assurance that the Schedule 1 study-specific license will be granted by the Home Office of the U.K. In addition, Hammersmith requires an import permit in order to import the DMT manufactured in Canada by Dalton. To import DMT, Hammersmith will require a certificate of analysis with the material, which is a standard document for a drug manufacturing company and which Dalton will provide as part of its contractual obligations. Obtaining the import permit can be done in parallel with the other approvals and precedes the export permit required to be obtained by Dalton.

After completion of the Phase 1 clinical trial, the Company will review the data and consider conducting a Phase 2 clinical trial. A Phase 2 clinical trial is the first time a drug can be tested in the patient population that the drug has been identified to treat. The Company's initial focus will be the acute treatment of ischemic stroke patients as well as combination therapy of DMT and Constraint Induced Movement Therapy.

The Company will need to engage a contract research organization in order to conduct Phase 2 clinical trial, which could be Hammersmith should the Company wish to continue the clinical trials with them.

Research-Grade DMT Manufacturing

As part of the Company's work order with Charles River, Charles River is required to obtain its own supply of research grade DMT. Charles River has chosen to obtain this DMT from TRC, the cost of which is included in the Company's work order. TRC manufactures and supply researchers in the biomedical fields with specialized complex organic small molecules not otherwise commercially available. TRC will ship the DMT directly to Charles River's facility in Finland**.** The Company understands the TRC holds a Health Canada dealer's license, but will require an amendment to that license to produce the research grade DMT. Please refer to the discussion of dealer's license amendment under the follow paragraph "Clinical-Grade DMT Manufacturing". The Company understands that the TRC's license amendment is pending.

Clinical-Grade DMT Manufacturing

The Company recently awarded the contract to manufacture its cGMP (clinical grade (for human use) material) DMT to Dalton Pharma Services ("**Dalton**"). The DMT produced by Dalton is intended for use by Hammersmith (as defined below) in the Company's Phase 1 clinical trials. Dalton is a Health Canada approved GMP contract provider of integrated chemistry, drug development and manufacturing services to the pharmaceutical and biotechnology industries. Dalton holds a dealer's license with Health Canada under the CDSA that allows Dalton to possess, produce, assemble, sell, send, transport and deliver controlled substances.

On July 17, 2021 the Company announced that all of the required permits and licenses for the manufacture and export of its cGMP supply of DMT had been received by Dalton and that they have commenced synthesis of DMT for the Company.

CRO's

Algernon has retained CRO Clinical Development Solutions, to support all aspects of the investigational brochure, study protocol and Pre-IND and IND application with the FDA as well as the CTA with Health Canada. Clinical Development Solutions will provide high-level oversight and management of all clinical trials.

The Company has also retained Novotech to conduct a feasibility study for Algernon to conduct all or part of its DMT stroke clinical research program in Australia. The Company has currently engaged Novotech for its Phase 2 clinical study for idiopathic pulmonary fibrosis and Chronic Cough. Australia is a favoured country for clinical research because of its government supported 40% refundable tax credit program.

Intellectual Property

Algernon has filed new provisional patent applications for new forms of DMT, in addition to formulation, dosage and method of use claims for ischemic stroke. The Company has also filed claims for combination therapy of DMT and CIMT.

The Development of a Therapy for Pancreatic Cancer

The Company has initiated a new clinical research program for pancreatic cancer (PC) and Ifenprodil. PC is an orphan disease and has a five-year survival rate of7.9%. This means that only approximately 8 in 100 people will have survived for five years and beyond. The 10-year survival rate of the disease is 1%, meaning only approximately 1 in 100 people survive 10 years and beyond. PC has the lowest 5-year survival rate of any of the 22 common cancers.

The global pancreatic cancer treatment market is expected to reach USD 4.2 billion in 2025, according to a new report by Grand View Research, Inc. Increasing tobacco consumption, smoking, obesity, and growing awareness pertaining to various treatment options available are propelling the market growth at a global level. The peak incidence of pancreatic cancer is seen in the age group of 65 to 75 years. This expanding geriatric population is also expected to drive the growth during the forecast period.

Ifenprodil demonstrated a significant anti-tumour effect in a PC animal model which was reported in a paper published in the Dove Press Journal, Clinical Pharmacology: Advances and Applications. The research paper concluded that Ifenprodil significantly and rapidly reduced the average solid tumour size by approximately 50% by day three and remained stable while on treatment in a murine model of PC. The average tumour size in the untreated group doubled during the same period.

The Company signed a license agreement with Dartmouth College for the rights to a patent that covers, Methods for diagnosing and treating neuroendocrine cancer, specific to NMDA receptors.

The Company has filed a pre-IND meeting request with the U.S. FDA to help determine next steps to advance Ifenprodil into clinical studies for PC. The agency has determined that the Company may proceed directly to trials in cancer patients with no further preclinical information and with the Company's existing drug supply. Algernon also plans to file for an orphan disease designation and seek Fast Track status, as well as a Breakthrough Therapy Designation once data from phase 1 studies are available.

The Company is planning to seek non-dilutive funding mechanisms in order to advance its oncology research programs.

The Development of a Therapy for Small Cell Lung Cancer

The Company has initiated a new clinical research program for small cell lung cancer ('**SCLC**"). **Small-cell lung cancer (SCLC)** is a high-grade neuroendocrine carcinoma arising predominantly in current or former smokers and has an exceptionally poor prognosis. **SCLC** makes up about 15% of lung cancer cases.

According to Fortune Business Insights., the global lung cancer therapeutics market size was valued at USD 18,327.6 Million in 2018 and is projected to reach USD 48,725.9 Million by 2026, exhibiting a CAGR of 13.0% in the forecast period (2019-2026).

The Company signed a license agreement with Dartmouth College for the rights to a patent that covers, Methods for diagnosing and treating neuroendocrine cancer, specific to NMDA receptors.

The Company has received feedback on a pre-IND meeting request with the U.S. FDA to help determine next steps to advance Ifenprodil into clinical studies for SCLC. Algernon also plans to file for an orphan disease designation and seek Fast Track status, as well as a Breakthrough Therapy Designation once data from Phase 1 clinical studies are available.

The Company is seeking non-dilutive funding mechanisms in order to advance its oncology research programs.

<u>The Development of a Therapy for COVID-19</u>

On July 6, 2021, Algernon announced that it would not be advancing Ifenprodil into a Phase 3 clinical study for COVID-19. The Company's decision was based on several factors including the overall finding of the Phase 2b study final data set, the global rate of vaccinations to date, other COVID-19 drug treatment programs under development, the projected trial size, costs and timelines needed to successfully complete a Phase 3 trial. Feedback recently received from the U.S. FDA regarding the end of Phase 2 meeting request was also informative.

<u>Safety History of Lead Compounds</u>

Ifenprodil

Ifenprodil was developed in France and introduced into the Japanese market in 1982 by a global pharmaceutical company. It was withdrawn from the French market in 2014 owing to a lack of risk/benefit analysis but is still available in Japan as a generic drug. Since its origin, there have been a number of clinical trials investigating its use in other diseases, as summarized below:

1. Circulatory System Related Disorders (4,821 Patients over one 1 Year);
2. Circulatory Issues (94 Patients over six months); and
3. Alcohol Dependence (46 Patients over three months).
4. COVID - 19 (150 patients over 8 months)

The company that marketed ifenprodil in Japan published a safety report summarizing adverse event data from clinical trials (983 patients) as well as post-marketing surveillance (14,035 patients). The incidence of adverse drug reactions was 2.26% (340/15,018). The most commonly observed reactions were dry mouth, 0.25% (37 cases), nausea/vomitting, 0.23% (35 cases), and rash, 0.23% (34 cases). None of the reported effects were described as serious. In addition, there were no clinically significant cases with abnormal laboratory values

Note: No significant adverse side effects were reported from third party studies 1-3 above. In addition, the Company conducted its own 150 patient Phase 2b/3 human study of Ifenprodil for the treatment of COVID-19. The external Data and Safety Monitoring Board completed its review at the conclusion of the Phase 2b part of the study and provided approval for the Company to continue with the Phase 3 part of the study further confirming the drug's safety, and no differences in adverse event rates were observed between groups treated with ifenprodil and group receiving standard of care treatment with no ifenprodil.

Ifenprodil is contraindicated in patients who are believed to have incomplete hemostasis following an intracranial hemorrhagic attack, and is not recommended for use in pregnant women, in patients with low blood pressure, increased heart rate, or immediately after cerebral infarction. Concomittant use with droxidopa or with drug which cause bleeding is prohibited.

DMT

N,N-dimethyltryptamine (DMT) has a long history of use but has not been approved of in any jurisdiction of note. DMT was first found to be psychedelic by the Hungarian chemist Stephen Szára in the 1950s. In the 60s it was discovered in the human body, with research suggesting it is synthesised in lungs and the pineal gland in the brain. It is now believed to be widespread throughout the natural kingdom, in thousands of plants, and in every mammal that has been investigated so far. DMT is typically consumed as part of South American psychoactive brew known as ayahuasca which has been in use for over 500 years. Due to abuse, in the 70s, DMT was placed into a restrictive legal category, and research was halted.

In the 90's Strassman conducted a dose response study to IV infusion of DMT (hallucinogenic and sub-hallucinogenic) into experienced hallucinogen users. Findings were that peak blood levels were seen after 2 minutes and were negligible after 30 minutes. DMT dose dependently elevated blood pressure, heart rate pupil diameter, rectal temperature, as well as blood levels of beta-endorphin, corticotropin, cortisol and prolactin. Growth hormone rose equally in response to all administered doses. All thresholds for effects to be deemed significant occurred at doses classified as hallucinogenic. Although one subject had to withdraw due to a marked diastolic blood pressure response, the study concluded that the drug could be administered with no safety concerns even at hallucinogenic doses.

A resurging interest in psychoactive compounds with data indicating neuroplastic effects has spurred numerous studies for efficacy in neurodegenerative conditions ranging from depression to stroke with regulators approving of DMT for clinical trials at doses high enough to trigger a psychedelic experience. Timmermann et al. also treated healthy volunteers with DMT through IV infusion, and found similar results to Strassman in that peak blood levels were found 2-3 minutes after infusion and remained significantly higher than placebo for 17 minutes. Timmermann also did not note any safety concerns about DMT infusion as the only subject to be excluded from the study was due excessive movement artifacts during EEG.

Clinical information on the safety of DMT, outside of use as an ingredient within ayahuasca, is limited but Algernon is unaware of any expressing significant safety concerns. Several studies regarding consumption of ayahuasca have been conducted finding significant adverse effects to be rare, with nausea, vomiting, diarrhoea, and hypertension being most commonly reported. Nausea, vomiting and diarrhea are known side effects of the harmala alkaloids which are also components of ayahuasca.

NP-251

NP-251 was developed in Japan and approved in 1987. NP-251 is no longer available in Japan where it was initially approved as an anti-allergy medication. It was withdrawn from the market in 2014 for sales reasons.

Note: The company who marketed NP-251 in Japan published a safety report summarizing adverse event data from clinical trials (837 patients) as well as post-marketing surveillance (20,050 patients). The incidence of adverse drug reactions was 0.97% (197/20,887). The most commonly observed reactions were nausea, 0.14% (30 cases), rash, 0.10% (23 cases), and gastric discomfort, 0.06% (13 cases). None of the reported effects were described as serious, and the drug was approved for both adult and pediatric use.

Competitive Conditions

CKD

Currently, there is no known cure for CKD; however, according to the Mayo clinic, depending on the underlying cause, some types of kidney disease can be treated.

Treatment usually consists of measures to help control symptoms, reduce complications, and slow progression of the disease. If the kidneys become too severely damaged through fibrosis and progress to end-stage kidney disease, dialysis or a kidney transplant are the only interventions available.

The majority of drugs are used to treat the often associated high blood pressure (e.g. angiotensin converting enzyme inhibitors, ACE inhibitors: angiotensin receptor blockers, ARBs) in patients at risk of, or are developing CKD. The CKD market is growing, owing to an increasingly older population who are more susceptible to age related diseases such as diabetes and cardiovascular disorders. With respect to the latter complication, patients with chronic CKD often experience high levels of bad cholesterol, which can increase the risk of heart disease, thus cholesterol lowering agents are often prescribed to patients. Anemia is also a common complication of CKD and therapies such as erythropoietin is often prescribed.

Algernon believes that its compound NP-251, which demonstrated anti-fibrotic activity in a commonly used model of CKD, is an attractive candidate for development. The compound does not appear to possess anti-hypertensive activity which is important to nephrologists who already have many effective, genericized blood pressure lowering agents available to them.

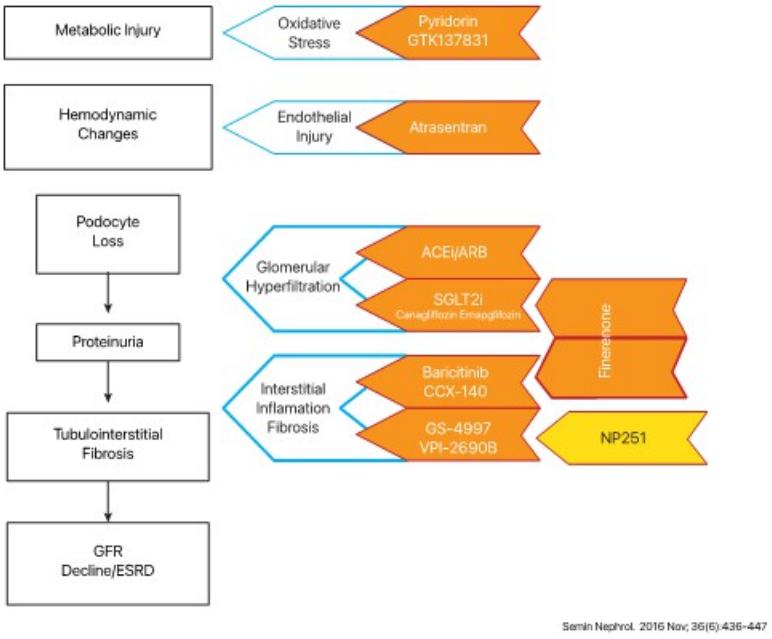
CKD Phase 2/3 Compounds in Development (not Targeting CKD Complications, e.g. anemia)

T	Pyridorin	Nephrogenyx	AGE inhibitor (bankruptcy)
2	GTK831	Genkyotex	NOX1/4 inhibitor
T	Atrasentan	Abbvie	ET-1 inhibitor
3	Canagliflozine	J&J	SGLT1 inhibitor
3	Finerenone	Bayer	non-steroidal selective mineral corticoid receptor
2	Baricitinib	Incyte	JAK1/2 inhibitor (approved for RA)
2	CCX140	Chemocentryx	CCR2 inhibitor (on hold)
2	CTP-499	Concert	PDE inhibitor (out-licensed unknown status)
2	Seloncertib	Gilead	ASK-1 inhibitor (note Phase 3 NASH failure)
2	VPI-2690B	Janssen	alpha-5-beta-3 integrin-IGF-1 mAb
2	SER150	Serodus	TXA2-synthase and TX receptor antagonist

Legend: 2 = Phase 2 Trial 3 = Phase 3 Trial T = Trial Terminated

Product Positioning

Based on the data from the pre-clinical animal research models, the Company believes the product placement of its compounds are likely to be used in the later stages of the disease (post development of glomerulonephritis) where there are currently no approved therapies.



IPF & Chronic Cough

IPF

IPF is a fatal disease involving scarring of the lungs. When diagnosed, patients typically have a 3-5 year life expectancy. The condition is rare and is considered an orphan disease. There are two approved treatments for IPF, Nintedanib and Pirfenidone, although there are multiple drugs in clinical trials for IPF.

IPF is a type of interstitial lung disease in which the lung tissues are damaged, thereby reducing its oxygen delivering capacity. Increase in incidence of fibrotic diseases poses a high risk factor for IPF.

In addition, the Company believes that a rise in the geriatric population or a surge in the cigarette smoking population could boost the market growth.

One of the clinical problems with a subset of IPF patients is a persistent cough. To the Company's knowledge, no reliable data on the prevalence of cough in IPF exist. Some studies report that up to 80% of patients experience Chronic Cough; however, lower numbers are also reported. The Company believed this may be attributed to the method of reporting and the definition of cough used (any cough *versus* disabling cough). When cough is present in IPF, it is severe and difficult to treat.

IPF Phase 2/3 Compounds in Development

Phase	Compound
3	Antimicrobial Therapy
2	Autoantibody Reductive therapy
2	BLD-2660
2	CC-90001
2	Danazol

Phase	Compound
2	GB0139
2	GKT137831
3	GLPG1690
2	HEC 68498
2	IDL-2965
2	iNO
2	KD025
2	MN-001
2	ND-L02-s0201
3	Pamrevlumab
2	PLN-74809
2	PRM-151
2	Rituximab
2	RVT-1601
2	VAY736

Chronic Cough

Chronic cough is defined as a cough lasting for at least 8 weeks. In the general population it has a prevalence of 9% to 33% in the United States and Europe. It is a frequent reason for seeking medical advice, with a high number of medical consultations.

Although at present, to the Company's knowledge, there are no approved treatments, Gefapixant recently reported positive Phase 3 data, but the drug causes issues of taste disturbance with a large fraction of patients.

Chronic Cough Phase 2/3 Compounds in Development

There are several drugs in development for Chronic Cough including TRP modulators, NK1 Antagonists, and P2X3 antagonists ranging from early pre-clinical to phase 3.

Product Positioning

Algernon believes Ifenprodil has an attractive profile in the treatment paradigm of IPF owing its ability to reduce fibrosis and cough frequency. The compound also has minimal known issues with respect to taste disturbance and diarrhea which affects up to 60% of patients taking Nintedanib. Owing to the multi-year regulatory exclusivity afforded to orphan diseases, the preferred indication is IPF.

Stroke

Worldwide, 16.9 million people suffer a first stroke each year, resulting in about 33 million stroke survivors and 5.9 million stroke-related death making stroke the second or third most common cause of death and one of the main causes of acquired adult disability. Approximately 80% of these survivors have motor impairments of the upper limb that gravely affect their ability to perform activities of daily living (ADL), as well as social participation.

Previous studies showed that the severity of upper limb paresis is an independent determinant of the outcome of basic activities of daily living (ADL) post stroke. Constraint-induced movement therapy (CIMT) or modified versions of CIMT (mCIMT) are currently considered the most effective treatment regimens in physical therapy to improve the outcome of the upper paretic limb. CIMT is a treatment technique to improve the arm motor ability and functional use of a paretic arm-hand. CIMT forces the use of the affected side by restraining the unaffected side. Clinical practice guidelines recommend at least 45 minutes of each relevant stroke rehabilitation therapy for a minimum of 5 days per week (NICE 2013). In practice, CIMT therapy is typically initiated as soon as possible after occurrence of the stroke and is done in a repetitive manner in sessions from 30 minutes to 6 hours, 2-7 times a week for as short as 2 weeks up to 12 weeks of treatment.

Stoke Phase 1/2/3 Recent Approvals and Compounds in Development

2	OSU61621	Carlson Research	Monoamine stabilizer
3	nerinetide	NoNo	PSD-95 Inhibitor
2	3K3A-APC	ZZ Biotech	Blood clotting and inflammation modulator
M	tPA	Roche	thrombolytic
2	BIIB093	Biogen	SUR1-TRPM4 inhibitor
1	LT-3001	Lumosa Therapeutics	Antioxidant/free radical scavenger

Product Positioning

Algernon believes its protections filed for DMT will allow Algernon to capitalize on the compound for uses in stroke as a therapeutic and help fill the gap in approved treatments for acute ischemic stroke. Currently the only approved treatment is tPA which has the side effects of bleeding (gastrointestinal, genitourinary, nose, gums), bruising, and a plethora of other less severe side effects.

DMT, through its action on the sigma-1 and 5HT2a receptors, impacts many physiological processes including inflammation, neuronal plasticity, and cell survival. In vivo models of stroke showed a significantly lower ischemic lesion volume and better functional recovery when rats were treated with DMT.

This preclinical data and the fact that DMT has a proven safety history, clinical approvals (Small Pharma), garnered from long term use and successful clinical trial approvals, gives Algernon the belief that DMT will prove an effective therapeutic for acute ischemic stroke when used in conjunction with established therapies such as CIMT. Algernon is moving quickly towards approval of their phase 1 study design for use of DMT in a human patient population.

Algernon recently announced preliminary results from the Company's preclinical *in vitro* study performed at Charles River's neurological research site in Kuopio, Finland. In this study, rat cortical neurons were exposed for one hour to DMT, then allowed to grow for three days. Sub-psychedelic doses of DMT led to an increase of up to 40% in the number of processes compared to vehicle, and statistically significant growth was achieved with doses as low as 10 picomolar. Further experiments are in progress.

Pancreatic Cancer

Pancreatic cancer has a 5-year survival rate of 10.8%, with an estimated ~60,000 new cases, and ~48,000 new deaths projected for 2021 (Surveillance, Epidemiology, and End Results Program (SEER)). Rates of pancreatic cancer have been increasing over the last two decades, from 11.6/100,000 to 13.7/100,000. Surgical resection is preferred for first line treatment if possible (NCCN guidelines). This can include neoadjuvant therapy, adjuvant therapy, and first line chemotherapy regimens. Most regimens recommend FOLFIRINOX, gemcitabine or some combination with these therapeutics. If caught very early there is small chance (10%) of becoming disease free, otherwise median survival times for newly diagnosed localized disease range from 3-3.5 years. Survival time for advanced disease drops to 2-6 months. The addition of new treatment options that could extend these survival times would be beneficial to these population of patients.

Pancreatic Cancer Phase 1/2 Recent Approvals and Compounds in Development

M	Lynparza	Astrazeneca	PARP inhibitor
M	Keytruda	Merck	PD-1 checkpoint inhibitor
2	APX005M	Apexigen	CD40 immunomodulator
2	Niraparib	GSK	PARP inhibitor
2	BPM31510	Berg	Metabolic modulator
1	BYL719	Novartis	PI3Kα inhibitor

1	Z650	Sunshine Lake Pharma Co	EGFr antagonist

Product Positioning

Ifenprodil was shown to decrease tumor size in nu/nu mice xenografts utilizing the PanC-1 cell line. Based on the results of preclinical studies as well as Ifenprodil's established safety record, Algernon believes the compound is a clinically attractive candidate for pancreatic cancer with additional cell lines with more specific staging to be investigated. Intellectual property positioning has been established with licensing of the use of Ifenprodil like compounds for treatment of pancreatic cancer. Owing to the multi-year regulatory exclusivity afforded to orphan diseases, this would be another preferred route of protections.

Small Cell Lung Cancer

Small cell lung cancer has a 5-year survival rate of 7% overall (localized 27%, regional 16%, distant 3%) and comprises 14% all lung cancers present in the US (Surveillance, Epidemiology, and End Results Program (SEER)). The incidence of SCLC is dropping in countries such as the US, likely due to decrease tobacco consumption, although this may not be same in other countries. Tumours in patients initially diagnoses with SCLC often respond well to initial chemotherapy, however relapse rates are high and median survival is 18-24 months (NCCN guidelines). No major treatment advances have occurred over the past 30 years for SCLC. The last major approval was for topotecan for second line treatment in 1996, by the U.S. Food and Drug Administration (FDA). Small cell lung cancer was declared a "recalcitrant" cancer in the United States, indicating the strong unmet need for further therapies in this indication.

Small Cell Lung Cancer Phase 1/2 Recent Approvals and Compounds in Development

M	Zepzeca	Jazz Pharmaceuticals	Transcription inhibitor
M	Imfinzi	Astrazeneca	PD-Li immunomodulator
2	Anlotinib	Chia Tai Tianquing Pharamceutical Group	Tyrosine kinase inhibitor
2	Prexasertib	Eli Lily	Checkpoint kinase inhibitor
2	Adavosertib	Astrazeneca	WEE1 inhibitor
1	olaparib	Astrazeneca	PARP inhibitor
1	IBI318	Innovent Biologics	PD-1/PD-L1 antibody
2	Veliparib	Abbvie	PARP inhibitor

Product Positioning

Ifenprodil was shown to largely prevent tumor growth in nu/nu mice xenografts utilizing the NCI H82 cell line. The effect was improved when Ifenprodil was combined with standard of care treatment, topotecan. Based on the results of preclinical studies as well as Ifenprodil established safety record, Algernon believes the compound is well positioned to be used in treatment of metastatic small cell lung cancer with additional stage derived cell lines to be investigated.

Intellectual Property - Drug Program

Filing	Compounds	Jurisdiction	Filing Number	Protections	Owned/ Licensed	Expiration Date	Status
Compositions and Methods for Treating Kidney Disorders (PCT/CA2019/050881)	Iguratimod, Repirinast, Lobenzarit, Actarit, Ifenprodil, Bemithyl, Bromantane, Emoxypine, Udenafil, Istradefyllne	Japan	2021522114	Use of compounds for treating kidney disorders	Owned	27-Jun-2038	Pending
		Canada	3105127		Owned		Pending
		Europe	19827430.0		Owned		Pending
		United States	17/255,364		Owned		Pending
		China	201980043698.6		Owned		Pending

Compositions and Methods for Treating NASH	Cepharanthine, Repirinast, Ifenoprodil Hemitartrate, Bromantane, Actarit, Lobenzarit, Irsogladine, Istradefylline, Trapadil, Bemithyl,	Japan	Awaiting	Use of compounds for treating non-alcoholic fatty liver disease, and in particular, the use of particular test compounds for treating non-alcoholic fatty liver disease, non-alcoholic fatty liver, and non-alcoholic steatohepatitis	Owned	06-Jul-2038	Pending
		Canada	3105850		Owned		Pending
		Europe	19829889.5		Owned		Pending
		United States	17/258,402		Owned		Pending
		China	112654357		Owned		Pending
Compositions and Methods for Treating Cough	Ifenprodil, Radioprodil, Glutamate 2b receptor antagonists, Traxoprodil, Rislenmdaz, Eliprodil, Ro-25-6981, BMT-108908, EVT-101, CP101-606, MK-0657, EVT-103, AZD 6765, SSRIs, Fluvoxamine, Fluoxetine, Excitalpram, donepezil	PCT	PCT/CA2020/050306	Use of compounds for treating a cough, and in particular, the use of glutamate 2b receptor antagonists such as Ifenprodil and Radiprodil for treating a cough	Owned	04-Dec-2039	Pending
Compositions and Methods for Treating IPF	Bromantane, Ifenprodil, Radiprodil, Bemithyl, Repirinast, Glutamate 2b receptor antagonists, Traxoprodil, Rislenmdaz, Eliprodil, Ro-25-6981, BMT-108908, EVT-101, CP101-606, MK-0657, EVT-103, AZD 6765, SSRIs, Fluvoxamine, Fluoxetine, Excitalpram, donepezil	China	202080014848	Use of compounds for treating fibrosis in the lungs, and in particular, the use of Bromantane, Ifenprodil, Radiprodil, Bemithyl, and/or Repirinast for treating chronic lung disease, including idiopathic pulmonary fibrosis	Owned	14-Feb-2039	Pending
		United States	17/424,070		Owned		Pending
		Europe	20754897.5		Owned		Pending
		Canada	3101853		Owned		Pending

Compounds for Treatment of IBD and Methods Thereof	Emoxypine, Glut2B antagonists, Ifenprodil, Radioprodil, Traxoprodil, Rislenmdaz, Eliprodil, Ro-25-6981, BMT-108908	United States	17/258,393	The use of compounds for treating inflammatory bowel disease, and in particular, the use of glutamate 2b receptor antagonists, and/or emoxypine, for treating inflammatory bowel disease, ulcerative colitis (UC), and Crohn's Disease	Owned	06-Jul-2038	Pending
		Canada	3105834		Owned		Pending
		Europe	19830563.3		Owned		Pending
Compounds for Treatment of IBD and Methods Thereof	Emoxypine, Glut2B antagonists, Ifenprodil, Radioprodil, Traxoprodil, Rislenmdaz, Eliprodil, Ro-25-6981, BMT-108908, EVT-101, CP101-606, MK-0657, EVT-103, AZD 6765, SSRIs Fluvoxamine, Fluoxetine, Excitalpram, donepezil	PCT	PCT/CA2020/050009	Use of compounds for treating inflammatory bowel disease, and in particular, the use of glutamate 2b receptor antagonists, and/or emoxypine, for treating inflammatory bowel disease, ulcerative colitis (UC), Crohn's Disease, and/or diarrhea	Owned	10-Jul-2039	Pending
Methods for diagnosing and treating neuroendocrine cancer	GluN2 receptor antagonists	United States	13/895,682	Method for treating cancer	Licensed	19-Apr-2026	Granted

All of the patents listed above have been publicly disclosed. In addition, the Company has filed provisional patents around new forms of DMT, in addition to formulation, dosage and method of use claims for ischemic stroke. The Company has also filed claims for combination therapy of DMT and CIMT. These applications will be converted to non-provisional applications in late January 2022, and the information will be publicly available shortly thereafter. The company has also filed provisional applications for new forms of ifenprodil; these applications will be converted to non-provisional in October 2022.

The Company's major assets revolve around a number of method of use, dosing, and formulation patents that have been filed protecting its key scientific discoveries. All of Algernon's lead compounds' original composition of matter patents have expired, or in the case of DMT which is naturally occurring, a composition of matter patent was not possible and had never been issued. Prior to the selection of the initial 11 drug compounds that were selected for screening, an initial intellectual property search was conducted in order to gain insight on the intellectual property landscape for these compounds. Once the initial *in vivo* animal research studies were concluded for each disease, searches were conducted by two independent leading Canadian intellectual property law firms confirming the suitability for filing new method of use, dosing, and formulation patents. Once the searches were completed, provisional patents were filed for all of the active compounds from each of the research studies.

Where Algernon deemed it necessary, and based on intellectual property searches for uses of the Company's lead compounds, the Company has also taken certain lead compounds and has additionally filed patents for modifications and derivatives of said compounds. This approach will minimize the risk of a third party trying to make small structural changes to Algernon's lead compounds and filing new composition of matter patents. This strategy was designed to help convince potential competitors that exploring a partnership or licensing agreement with the Company would be more productive that trying to compete by developing a new NCE program for derivatives developed around the core structure of the Company's lead compounds.

The Company signed a license agreement with Dartmouth College for the rights to a patent that covers, Methods for diagnosing and treating neuroendocrine cancer, specific to NMDA receptors. This patent will provide some freedom to operate of the Ifenprodil pancreatic and small cell lung cancer research program should the drug show efficacy and reach regulatory approval.

Two of the diseases that the Company is pursuing, are orphan indications including IPF and pancreatic cancer. Orphan Indication means a disease that affects less than two hundred thousand (200,000) people in the United States as defined by the Food and Drug Administration or five (5) in ten thousand (10,000) people in the European Union as defined by the European Medicines Agency. Orphan Drug Designation confers numerous benefits to the development of new products, including clinical protocol assistance and, upon marketing authorization, assures marketing exclusivity for a period of up to seven years in the **U**.**S**. and up to ten years in the EU once the medicine is on the market.

Risk Assessment and Contingency Plan

Circumstances may occur where the Company is not able to access currently available and approved finished product for any of its lead compounds, and or may not able to gain approval to conduct any phase II trials in markets where the current drug is approved. Should this occur, the Company will proceed to synthesize its lead compounds through a global cGMP contract manufacturer. The Company will conduct all of the pre-clinical toxicological testing required of a new NCE program, which could take up to 18 months. In addition, before a phase II study can begin with the new material, a phase I dosing study will need to be completed, which could take approximately six months to complete.

While this contingency approach is expected to add an additional 24 months to the product development timeline before a phase I trial can be conducted, the Company will have considerable flexibility to conduct a phase I trial in a number of geographical regulatory jurisdictions including in the U.S.

Regulatory Regimes (Canada, the EU and the U.S)

Drug Scheduling Regulations

Canada

Certain psychoactive compounds, such as DMT, are considered controlled substances under the CDSA. DMT and any salt thereof, is listed under Schedule III of the CDSA. The possession, sale or distribution of controlled substances is prohibited unless specifically permitted by the government. Penalties for contravention of the CDSA related to Schedule I substances are the most punitive, with Schedule II being less punitive than Schedule I, Schedule III being less punitive than Schedule I and II and so forth. A party may seek government approval for a Section 56 Exemption to allow for the possession, transport or production of a controlled substance for medical or scientific purposes, as discussed in further detail below under the heading "*Regulatory Approvals Required for Studies (Canada, the EU and the U.S.) - Canada".*

Health Canada regulates all health products in Canada, and a health product may only be sold in Canada with the permission of Health Canada. During its evaluation of the safety, efficacy and quality of each health product, Health Canada determines whether a drug should be a controlled substance, a prescription drug or a non-prescription drug. A substance may be deemed a controlled substance but also a prescription drug. As discussed above, scheduling the substance in the CDSA means that there are criminal consequences to possessing the drug unlawfully. If Health Canada determines that a drug requires a prescription, it is placed on the Health Canada Prescription Drug List ("**PDL**"). DMT is not currently on the PDL.

After Health Canada determines if a drug may be sold in Canada and if it requires a prescription, the individual provinces, territories and the National Association of Pharmaceutical Regulatory Authorities ("**NAPRA**") decide where it may be sold, under advisement from the National Drug Scheduling Advisory Committee. NAPRA maintains a harmonized list referred to as the National Drug Schedules. NAPRA may decide to be more restrictive in scheduling drugs, but never less restrictive than has already been determined at the federal level.

United States

As explained in further detail below, DMT is currently a restricted drug under the CSA. In the United States, clinical trials involving restricted drugs must adhere to the CSA and its implementing regulations, which are enforced by DEA under a legislative, regulatory, and enforcement structure and process. State regulations of controlled substances frequently change, so it is important to be aware of the regulatory nuances of each state in which a trial is conducted. There are three agencies -the FDA, the National Institute on Drug Abuse, and the DEA -involved in the scheduling of controlled substances, including both narcotic drugs and psychotropic substances. Controlled substances are categorized by the DEA according to five schedules, based upon eight factors, including: 1) actual or relative potential for abuse; 2) scientific evidence of pharmacological effect, if known; 3) state of current scientific knowledge about the drug; 4) history and current pattern of abuse; 5) scope/duration/significance of abuse; 6) what, if any, risk to public health; 7) psychic or physiological dependence liability; and 8) whether the substance is an immediate precursor of an already controlled substance.

DMT is listed as a Schedule I substance under the United States Code of Federal Regulations Title 21 -Food and Drugs 21 Part 1308.11 and assigned DEA Controlled Substances Code Number 7435. Schedule I substances are described as those that have the following findings:

- the drug or other substance has a high potential for abuse;
- the drug or other substance has no currently accepted medical use in treatment in the United States; and
- there is a lack of accepted safety for use of the drug or other substance under medical supervision.

No prescriptions may be written for Schedule I substances, and such substances are subject to production quotas which the DEA imposes. All principal investigators or sub-investigators (typically a member of a university or CRO) involved in a clinical trial using a controlled substance must obtain both federal and state authorizations. DEA registration and state licensure are required at the general physical location where the controlled substances for the clinical trial will be dispensed and/or stored overnight. In some cases, it may be possible to dispense the study drug at a satellite location with a separate license and registration if there is no overnight storage at that satellite location.

Federal registration is granted by the DEA. DEA "Practitioner" registration is valid for three years although Schedule I substances such as DMT require a DEA "Researcher" registration, valid for one year only, and in this situation, the research protocol must be formally approved by the FDA prior to registration with the DEA. All practitioners who participate in a clinical trial as a principal investigator or sub-investigator must also be authorized by the state in which they practice to prescribe, dispense, administer, and conduct research with controlled substances. In most cases, these activities are authorized when a license is granted to the practitioner by the local Institutional Review Board. However, some states require a separate, state-issued controlled substance license and other states have a separate state-controlled substances authority that requires practitioners to obtain a separate registration, in addition to their board license.

Europe

The International Narcotics Control Board ("**INCB**"), a United Nations ("**UN**") entity, monitors enforcement of restrictions on controlled substances. The INCB's authority is defined by three international UN treaties -the UN Single Convention on Narcotic Drugs of 1961, the UN Psychotropic Convention of 1971 (referred to herein as the UN71), and the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, which contains provisions related to the control of controlled substance precursors. EU Member States, including Finland, that have agreed to abide by the provisions of these treaties, each create responsible agencies and enact laws or regulations to implement the requirements of these conventions. Specific EU legislation establishing different classes of controlled substances is limited to EU regulations that define classes of precursors, or substances used in the illicit manufacture of controlled substances, including Regulation (EC) No. 273/2004 of the European Parliament and the Council of February 11, 2004, and the Council Regulation (EC) No. 111/2005 of December 22, 2004. While EU legislation does not establish different classes of narcotic drugs or psychotropic substances, the Council Decision 2005/387/JHA of May 10, 2005 can provoke a Council Decision requiring EU member states to put a drug under national controls equivalent to those of the INCB. DMT is currently classified as a Schedule I substance under the UN71; the EU member states, including Finland, have agreed to the following in respect of Schedule I substances:

(a) prohibit all use except for scientific and very limited medical purposes by duly authorized persons, in medical or scientific establishments which are directly under the control of their Governments or specifically approved by them;

(b) require that manufacture, trade, distribution and possession be under a special licence or prior authorization;

(c) provide for close supervision of the activities and acts mentioned in paragraphs a) and b);

(d) restrict the amount supplied to a duly authorized person to the quantity required for his authorized purpose;

(e) require that persons performing medical or scientific functions keep records concerning the acquisition of the substances and the details of their use, such records to be preserved for at least two years after the last use recorded therein; and

(f) prohibit export and import except when both the exporter and importer are the competent authorities or agencies of the exporting and importing country or region, respectively, or other persons or enterprises which are specifically authorized by the competent authorities of their country or region for the purpose.

As classification of controlled substances may vary among different EU member states, sponsors must be aware of the prevailing legislation in each country where a clinical trial may be conducted. Prior to operating or conducting any pre-clinical or clinical studies in any other EU member state, the Company will investigate the specific regulatory requirements of such EU member state. As referenced above, a licence is required for individuals and entities who wish to produce, dispense, import, or export Schedule I substances (including DMT), but the specific requirements vary from country to country. Currently, DMT is classified in Finland as a narcotic under the Finnish Narcotics Act (373/2008) and as such the production, manufacture, import, export, distribution, trade, handling, possession and use of DMT are prohibited.

Regulatory Approvals Required for Studies (Canada, the EU and the U.S)

Regulatory approvals are required for clinical (human) studies for all investigational products in all member countries of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use, which includes the United States, Canada and EU member states.

Canada

CDSA

In order to conduct any scientific research, including pre-clinical (animal) and clinical (human) trials using a controlled substance (such as DMT) in Canada, an exemption under Section 56 of the CDSA is required. This exemption allows the holder to possess and use the controlled substance without being subject to the restrictions set out in the CDSA, subject to obtaining any additional approvals such as ethics and clinical trial approvals.

Specifically, the final approved clinical study protocol and a Health Canada issued No Objection Letter are required to obtain an exemption under subsection 56(1) of the CDSA to conduct clinical investigations with DMT in Canada.

Canada FDR

Products that contain a controlled substance such as DMT cannot be made, transported or sold without proper authorization from the government. A party can apply for a dealer's license under Part J of the Canada Food and Drug Regulations ("**Canada FDR**"), which allows the party to produce, assemble, sell, provide, transport, send, deliver, import or export a restricted drug (as listed in Part J in the Canada FDR-which includes DMT), assuming compliance with all relevant laws (the CDSA and Canada) and subject to any restrictions placed on the license by Health Canada. In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including having compliant facilities, compliant materials and staff that meet the qualifications under the regulations of a senior person in charge and a qualified person in charge.

United States

The DEA has a streamlined application process for researchers who wish to conduct clinical trials using a Schedule I substance not currently approved for medical use (such as DMT). Schedule I substances are defined as drugs, substances, or chemicals with no accepted medical use and a high potential for abuse. Applicants must provide information about their qualifications, research protocol, and institution where the research will take place; complete requirements are outlined in the United States Code of Federal Regulations Title 21 -Food and Drugs 21 Part 1301.18.

Europe

Refer to the discussion above under the heading "*Drug Scheduling Regulations - Europe*" for a general description of the regulatory requirements to conduct research and clinical and pre-clinical studies using a Schedule I substance such as (DMT) in one of the EU member states. The specific regulatory processes and approvals required may vary among different EU member states and are set forth in the respective legislation of each country, including Finland.

Clinical Studies and Market Authorization Regulations (Canada, the EU and the U.S)

The Company's goal is to ultimately get market authorization from Health Canada, the FDA and the EMA to sell any DMT products it creates in Canada, the United States and Europe. However, prior to doing so, the Company will need to go through the clinical trial regulatory process. The next stage would be the market authorization regulatory process, following the completing of phase 1, 2 and 3 clinical studies, associated nonclinical studies and preparation of manufacturing documentation. Set forth below is a description of the regulatory regimes in Canada, the United States and the European Union that the Company will be subject to as it moves through both: (i) the clinical study regulatory processes; and the (ii) market authorization regulatory process in respect of the any future DMT products and may be produced.

Canada -Health Canada

Clinical Study Regulatory Process

In Canada, a CTA is composed of three modules:

- Module 1 contains administrative and clinical information about the proposed trial, and includes the Investigator's Brochure, which details all safety, preclinical and clinical data for the drug under study. Other components of Module 1 are the clinical study synopsis and full protocol, informed consent documents, clinical trial site information, and letters of access;
- Module 2 contains common technical document summaries, including Chemistry, Manufacturing and Control ("**CMC**") information about the drug product(s) to be used in the proposed trial; and
- Module 3 contains additional supporting quality information including literature references.

The modules are organized and numbered consistently in an internationally adopted format, the Common Technical Document ("**CTD**"). Adhering to the CTD format facilitates evaluation by Health Canada and ensures consistency of documents in subsequent stages of the drug authorization process. Additional documents including a Clinical Trial Site Initiation Form, Qualified Investigator Undertaking and a Research Ethics Board Attestation must be completed for each clinical trial site. Once prepared, the Clinical Trial Application is sent to the Therapeutic Products Directorate at the Health Product and Food Branch ("**HPFB**") of Health Canada for review. The review process is 30 days, although during the current COVID-19 pandemic environment, Health Canada is able to extend review timelines for non COVID-19 related studies to 45 days.

Health Canada invites sponsors to request a pre-CTA consultation meeting. Such consultations may be particularly useful for new active substances or applications that will include complex issues that may be new to Health Canada. The Company has applied to Health Canada to hold a pre-CTA consultation meeting with Health Canada to discuss proposed clinical trials for on DMT.

Market Authorization Regulatory Process (Canada, the EU and the U.S)

The HPFB is the national authority that regulates, evaluates and monitors the safety, efficacy, and quality of therapeutic and diagnostic products available to Canadians. When a manufacturer decides that it would like to market a drug in Canada, the company must first file a "New Drug Submission" ("**NDS**") with one of the Directorates (e.g. Therapeutic Products Directorate) within the HPFB. The NDS contains information and data about the drug's safety, effectiveness and quality. It includes the results of the preclinical and clinical studies, whether done in Canada or elsewhere, details regarding the production of the drug, packaging and labelling details, and information regarding therapeutic claims and side effects.

The HPFB performs a thorough review of the submitted information, sometimes using external consultants and advisory committees. HPFB evaluates the safety, efficacy and quality data to assess the potential benefits and risks of the drug. HPFB reviews the labelling information that the sponsor proposes to provide to health care practitioners and consumers about the drug (e.g. the drug label, product monograph, patient brochure). If, at the completion of the review, the conclusion is that the benefits outweigh the risks and that the risks can be mitigated, the drug is issued a Notice of Compliance, as well as a Drug Identification Number which permits the sponsor to market the drug in Canada and indicates the drug's official approval in Canada. In addition, Health Canada laboratories may test certain biological products before and after authorization to sell in Canada has been issued.

This is done through its Lot Release Process, in order to monitor safety, efficacy and quality. This process is predominantly utilized for biologic products seeking a marketing license. Once a drug is on the market, regulatory controls continue. The manufacturer (license holder) and distributors of the drug must report any new information received concerning serious side effects including failure of the drug to produce the desired effect. The manufacturer (license holder) must also notify HPFB about any studies that have provided new safety information and request approval for any major changes to the manufacturing processes, dose regime or recommended uses for the drug. HPFB conducts market surveillance, monitors adverse reaction reports, investigates complaints and problem reports, and manages recalls, should the necessity arise. In addition, HPFB licenses most drug production sites and conducts regular inspections as a condition for licensing.

United States -FDA

Clinical Study Regulatory Process

Current U.S. Federal law requires that a drug be the subject of an approved marketing application before it is transported or distributed across state lines. Because a sponsor (which is typically a research and development company or drug manufacturer) will want to ship the investigational drug to clinical investigators in many states, it must seek an exemption from that legal requirement. The IND is the means through which the sponsor technically obtains this exemption from the FDA. During a new drug's early preclinical development, the sponsor's primary goal is to determine if the product is reasonably safe for initial use in humans, and if the compound exhibits pharmacological activity that justifies commercial development. When a product is identified as a viable candidate for further development, the sponsor then focuses on collecting the data and information necessary to establish that the product will not expose humans to unreasonable risks when used in limited, early-stage clinical studies. FDA's role in the development of a new drug begins when the drug's sponsor, having screened the new molecule for pharmacological activity and acute toxicity potential in animals, wants to test its diagnostic or therapeutic potential in humans. At that point, the molecule changes in legal status under the Federal Food, Drug, and Cosmetic Act and becomes a new drug subject to specific requirements of the drug regulatory system.

The IND application must contain information in three broad areas:

- Animal Pharmacology and Toxicology Studies, consisting of preclinical data to permit an assessment as to whether the product is reasonably safe for initial testing in humans. Also included are any previous experience with the drug in humans (often foreign use);
- Manufacturing Information, pertaining to the composition, manufacturer, stability, and controls used for manufacturing the drug substance and the drug product. This is equivalent to the CMC data referenced above for Health Canada applications, and is assessed to ensure that the company can adequately produce and supply consistent batches of the drug; and
- Clinical Protocols and Investigator Information, including detailed protocols for proposed clinical studies to assess whether the initial trials will expose subjects to unnecessary risks. Also, information on the qualifications of clinical investigators to assess whether they are qualified to fulfill their clinical trial duties. Finally, commitments to obtain informed consent from the research subjects, to obtain review of the study by an Institutional Review Board, and to adhere to the investigational new drug regulations.

Once the IND is submitted, the sponsor must wait 30 calendar days before initiating any clinical trials. During this time, the FDA has an opportunity to review the IND for safety to assure that research subjects will not be subjected to unreasonable risk.

The FDA invites sponsors to request a pre-IND consultation meeting in advance of application submission. This fosters early communications between sponsors and new drug review divisions to provide guidance on the data necessary to warrant IND submission. The Company has requested a pre-IND consultation meeting to discuss its proposed clinical trials on DMT.

Market Authorization Regulatory Process (Canada, the EU and the U.S)

The FDA regulates the development, testing, manufacturing, labeling, storage, recordkeeping, promotion, marketing, distribution, and service of medical products in the United States to ensure that such medical products distributed domestically are safe and effective for their intended uses. In addition, the FDA regulates the export of medical products manufactured in the United States to international markets and the importation of medical products manufactured abroad. Unless an exemption applies, each new or significantly modified medical product a company seeks to commercially distribute in the United States will require FDA approval. The FDA approval process is conducted through the submission of a New Drug Application ("**NDA**").

The process can be expensive, and lengthy (6-12 months), and require payment of significant user fees, unless an exemption is available. Significant reductions in fees are available through the Small Business Fee Waiver/Reduction program. Drug companies seeking to sell a drug in the United States must first test it. The company then sends the Centre for Drug Evaluation and Research ("**CDER**") at the FDA the evidence from these tests to prove the drug is safe and effective for its intended use, using the NDA. A team of CDER physicians, statisticians, chemists, pharmacologists, and other scientists reviews the company's data and proposed labeling.

If this independent and unbiased review establishes that a drug's health benefits outweigh its known risks, the drug is approved for sale. The center does not actually test drugs itself, although it does conduct limited research in the areas of drug quality, safety, and effectiveness standards. The FDA drug approval process takes place within a structured framework that includes: (i) analysis of the target condition and available treatments; (ii) assessment of benefits and risks from clinical data; and (iii) strategies for managing risks.

In some cases, the approval of a new drug is expedited. Accelerated approval can be applied to promising therapies that treat a serious or life-threatening condition and provide therapeutic benefit over available therapies. The FDA also employs several approaches to encourage the development of certain drugs, especially drugs that may represent the first available treatment for an illness, or ones that have a significant benefit over existing drugs. These approaches, or designations, are meant to address specific needs, and a new drug application may receive more than one designation, if applicable. Each designation helps ensure that therapies for serious conditions are made available to patients as soon as reviewers can conclude that their benefits justify their risks. Designations include: (i) fast track; (ii) breakthrough therapy; and (iii) priority review.

Europe -EMA

Clinical Study Regulatory Process

The IMPD is one of several regulatory documents required for conducting a clinical trial of a pharmacologically API (active product ingredient) intended for one or more European Union Member States. The IMPD includes summaries of information related to the quality, manufacture and control of any Investigational Medicinal Product (including reference product and placebo) ("**IMP**"), and data from non-clinical and clinical studies. Guidance concerning IMPDs is based on Regulation (EU) No 536/2014 on Clinical Trials on Medicinal Products for Human Use (the "**Regulation**") and on the approximation of laws, regulations and administrative provisions of the Member States relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use (also commonly referred to as the "**Clinical Trials Directive**"). The Regulation came into force in 2016, harmonizing the laws, regulations and administrative provisions of the Member States relating to the implementation of Good Clinical Practice in the conduct of clinical trials on medicinal products for human use. European Member States have transformed the requirements outlined in the Clinical Trials Directive into the respective national laws.

The content of the IMPD may be adapted to the existing level of knowledge and the product's phase of development. When applying for a clinical trial authorization, a full IMPD is required when little or no information about an API has been previously submitted to competent authorities, when it is not possible to cross-refer to data submitted by another sponsor and/or when there is no authorization for sale in the European Union. However, a simplified IMPD may be submitted if information has been assessed previously as part of a Marketing Authorization or a clinical trial to that competent authority. Although the format is not obligatory, the components of an IMPD are largely equivalent to clinical trial applications in Canada and the U.S. The IMPD need not be a large document as the amount of information to be contained in the dossier is dependent on various factors such as product type, indication, development phase etc.

The assessment of an IMPD is focused on patient safety and any risks associated with the IMP. Whenever any potential new risks are identified the IMPD must be amended to reflect the changes. Certain amendments are considered substantial in which case the competent authority must be informed of the substantial amendment. This may be the case for changes in IMP impurities, microbial contamination, viral safety, transmissible spongiform encephalopathies (e.g. mad cow disease) and in some particular cases to stability when toxic degradation products may be generated.

The Company is planning the Phase I study to obtain preliminary evidence of the safety and efficacy of DMT. The study will occur in the U.K. and the current focus is preparing an IMPD document that includes CMC (Chemistry, Manufacturing and Control) information, an Investigator's brochure (including prior safety, preclinical and clinical data) and a clinical study protocol and supporting information to be submitted to the regulatory authorities, all of which is subject to the risks, delays and related cost implications.

Market Authorization Regulatory Process

Under the centralized authorization procedure, pharmaceutical companies submit a single marketing-authorization application to the EMA, which provides the basis of a legally binding recommendation that will be provided by the EMA to the European Commission, the authorizing body for all centrally authorized products. This allows the marketing-authorization holder to market the medicine and make it available to patients and healthcare professionals throughout the European Union on the basis of a single marketing authorization. EMA's Committee for Medicinal products for Human Use or Committee for Medicinal Products for Veterinary Use carry out a scientific assessment of the application and give a recommendation on whether the medicine should be marketed or not, under any particular dosing regimen. Although, under European Union law, the EMA has no authority to permit marketing in the different European Union countries, the European Commission is the authorizing body for all centrally authorized products, who takes a legally binding decision based on EMA's recommendation. This decision is issued within 67 days of receipt of EMA's recommendation.

Once granted by the European Commission, the centralized marketing authorization is valid in all European Union Member States as well as in the European Economic Area countries Iceland, Liechtenstein and Norway. European Commission decisions are published in the Community Register of medicinal products for human use. Once a medicine has been authorized for use in the European Union, the EMA and the European Union Member States constantly monitor its safety and take action if new information indicates that the medicine is no longer as safe and effective as previously thought. The safety monitoring of medicines involves a number of routine activities ranging from: assessing the way risks associated with a medicine will be managed and monitored once it is authorized; continuously monitoring suspected side effects reported by patients and healthcare professionals, identified in new clinical studies or reported in scientific publications; regularly assessing reports submitted by the Company holding the marketing authorization on the benefit-risk balance of a medicine in real life; and assessing the design and results of post-authorization safety studies which were required at the time of authorization.

The EMA can also carry out a review of a medicine or a class of medicines upon request of a Member State or the European Commission. These are called European Union referral procedures; they are usually triggered by concerns in relation to a medicine's safety, the effectiveness of risk minimization measures or the benefit-risk balance of the medicine. The EMA has a dedicated committee responsible for assessing and monitoring the safety of medicines, the Pharmacovigilance Risk Assessment Committee. This ensures that EMA and the European Union Member States can move very quickly once an issue is detected and take any necessary action, such as amending the information available to patients and healthcare professionals, restricting use or suspending a medicine, in a timely manner in order to protect patients.

Legislation on controlled substances United Kingdom

In the UK, there are two main "layers" of regulation with which products containing controlled substances must comply. These are:

(i) controlled drugs legislation, which applies to all products containing controlled substances irrespective of the type of product, and
(ii) the regulatory framework applicable to a specific category of products, in this case, pharmaceuticals and food/food supplements.

In the U.K., DMT is considered a Class A drug under the amended Misuse of Drugs Act 1971, and as a Schedule 1 drug under the amended Misuse of Drugs Regulations 2001 (the "**MDR**").

Class A drugs are highly controlled and considered to be the most potentially harmful. Schedule 1 drugs receive the most restrictive controls. They are considered to have no legitimate or medicinal use, and can only be imported, exported, produced, supplied and the like under a Home Office license.

Even if granted a marketing authorization for SPL026 by the MHRA, DMT would still remain a Schedule 1 drug until rescheduled by the Home Office. Unless and until DMT is rescheduled under the MDR, and unless a statutory exemption were to be passed for SPL026 following the grant of a U.K. marketing authorization and before rescheduling, any prescribing doctors in the U.K. would require a Home Office license to prescribe SPL026. There can be no guarantee that such Home Office licenses would be granted or that rescheduling would be successful.

The amended Misuse of Drugs Act 1971, sets out the penalties for unlawful production, possession and supply of controlled drugs based on three classes of risk (A, B and C). The MDR sets out the permitted uses of controlled drugs based on which Schedule (1 to 5) they fall within. In the United Kingdom, Class A drugs are deemed to be the most dangerous, and so carry the harshest punishments for unlawful manufacture, production, possession and supply. Schedule 1 drugs can only be lawfully manufactured, produced, possessed and supplied under a Home Office licence. While exemptions do exist, none are applicable to the API.

Additional legislation was more recently passed in order to address an increasing prevalence of psychoactive drugs designed to circumvent the Misuse of Drugs Act 1971. The Psychoactive Substances Act 2016 (the "**PSA**") prohibits certain activities regarding any psychoactive substance, defined in the PSA as a substance that produces a psychoactive effect, which by stimulating or depressing the central nervous system affects a person's mental functioning or emotional state.

Controlled substances are exempt from the PSA, which therefore does not apply to SPL026. SPL028 and SPL029 may fall within the MDR. If either SPL028 or SPL029 are found to fall outside of the MDR then the PSA may apply, subject to certain exemptions which apply to experimental medicines. Approved medicines are also exempt from the PSA, so the PSA should not apply to SPL028 or SPL029, if approved by the MHRA.

Licensing Requirements

All UK-based facilities involved in the manufacture, analytical testing, release and clinical testing of DMT need to hold appropriate Home Office licenses. All premises that are licensed in the manufacture, analytical testing, release and clinical testing of controlled drugs are required to adhere to detailed security standards.

Typically, when controlled drugs are being transported between licensees, responsibility for their security remains with the owner and does not transfer to either the courier or the customer until the drugs arrive at their destination and are signed for. However, where a third party is involved in the transit and/or storage of controlled drugs, even if they are not the legal owners, this party also carries responsibility for their security by virtue of being 'in possession' of them. Under the Home Office guidance, each organisation involved in the movement of controlled drugs should have a standard operating procedure covering their responsibilities, record keeping, reconciliation and reporting of thefts/losses.

Organization Structure

Algernon has two wholly-owned subsidiaries, Nash Pharmaceuticals Inc., a corporation subsisting under the laws of the Province of British Columbia, Canada, and Algernon Research PTY Ltd., an Australian proprietary company established on January 6, 2020.

EXEMPTIONS UNDER THE JUMPSTART OUR BUSINESS STARTUPS ACT

The United States Congress passed the Jumpstart Our Business Startups Act of 2012, which provides for certain exemptions from various reporting requirements applicable to reporting companies under the Securities Exchange Act of 1934, as amended, that qualify as "emerging growth companies". We are an "emerging growth company" as defined in section 3(a) of the Exchange Act (as amended by the JOBS Act, enacted on April 5, 2012), and we will continue to qualify as an "emerging growth company" until the earliest to occur of: (a) the last day of the fiscal year during which we have total annual gross revenues of US$1,070,000,000 (as such amount is indexed for inflation every five years by the SEC) or more; (b) the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act; (c) the date on which we have, during the previous three-year period, issued more than US$1,000,000,000 in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer", as defined in Exchange Act Rule 12b-2. Therefore, we expect to continue to be an emerging growth company for the foreseeable future.

Generally, a registrant that registers any class of its securities under section 12 of the Exchange Act is required to include in the second and all subsequent annual reports filed by it under the Exchange Act, a management report on internal control over financial reporting and, subject to an exemption available to registrants that meet the definition of a "smaller reporting company" in Exchange Act Rule 12b-2, an auditor attestation report on management's assessment of internal control over financial reporting.

However, for so long as we continue to qualify as an emerging growth company, we will be exempt from the requirement to include an auditor attestation report in our annual reports filed under the Exchange Act, even if we do not qualify as a "smaller reporting company". In addition, section 103(a)(3) of the Sarbanes-Oxley Act of 2002 has been amended by the JOBS Act to provide that, among other things, auditors of an emerging growth company are exempt from the rules of the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the registrant (auditor discussion and analysis).

Additionally, we have irrevocably elected to comply with new or revised accounting standards even though we are an emerging growth company. We have made this election to reduce the risk of having to restate our financials once we cease to be an emerging growth company.

CAUTIONARY NOTE REGARDING FINANCIAL DISCLOSURE IN THIS PROSPECTUS

This prospectus should be read in conjunction with the accompanying consolidated financial statements and related notes. The discussion and analysis of the financial condition and results of operations are based upon the financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with these accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations.

Critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments, are outlined below under the heading "*Critical Accounting Policies and Estimates*" and have not changed significantly.

KEY INFORMATION

Outstanding Share Data

Our authorized share capital consists of an unlimited number of Class A Common Shares without nominal or par value. As at August 31, 2021, our outstanding equity and convertible securities were as follows:

Securities	Outstanding
Voting equity securities issued and outstanding	1,674,868 Common Shares

Securities	Outstanding
Securities convertible or exercisable into voting equity securities - Stock Options	Stock Options to acquire up to 10% of the number of Common Shares outstanding
Securities convertible or exercisable into voting equity securities - Warrants	• 196,053 warrants to acquire 196,053 Common Shares at an exercise price of $55.00 per Common Share with an expiry date of May 13, 2022. • 41,478 warrants to acquire 41,478 Common Shares at an exercise price of $12.00 per Common Share with an expiry date of August 20, 2022. • 119,056 warrants to acquire 119,056 Common Shares at an exercise price of $40.00 per Common Share with an expiry date of March 5, 2023. • 380 broker warrants to acquire 380 Common Shares at an exercise price of $8.50 per Common Share with an expiry date of May 1, 2022. • 15,053 broker warrants to acquire 15,053 Common Shares at an exercise price of $35.00 per Common Share with an expiry date of May 13, 2022.

Common Shares

Each Common Share carries the right to attend and vote at all general meetings of shareholders. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as when declared by the Company's Board of Directors at its discretion from funds legally available for the payment of dividends and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions, and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. There are no restrictions on the repurchase or redemption of Common Shares by us except to the extent that any such repurchase or redemption would render us insolvent pursuant to the BCBCA.

For additional information regarding our Common Shares, please see the discussion under the heading "*Notice Of Articles And Articles Of Our Company - Rights, Preferences and Restrictions Attaching to Our Shares*".

Non-cumulative voting

Holders of our Common Share do not have cumulative voting rights, which means that the holders of more than 50% of the outstanding Common Shares, voting for the election of directors, can elect all of the directors to be elected, if they so choose, and, in that event, the holders of the remaining Common Shares will not be able to elect any of our directors.

Stock transfer agent

The Company's Registrar and Transfer Agent is AST Trust Company (Canada), located at 1066, West Hastings Street, Suite 1600, Vancouver, British Columbia, V6E 2X1 and its telephone number is (604) 235-3700.

Dividend Policy

The Company has not paid dividends on its Common Shares during the past three financial years and through the date of this Registration Statement. The Company has no present intention of paying dividends in the near future. It will pay dividends when, as and if declared by the Board. The Company expects to pay dividends only out of retained earnings in the event that it does not require its retained earnings for operations and reserves. There are no restrictions in the Company's articles of incorporation or bylaws that prevent it from declaring dividends. The Company has no shares with preferential dividend and distribution rights authorized or outstanding.

Indebtedness as of August 31, 2021:

Contractual obligations	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Accounts Payable and Accrued Liabilities	$1,022,314(1)	1,022,314	Nil	Nil	Nil
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under IFRS	Nil	Nil	Nil	Nil	Nil
Total	**$1,022,314**	**1,022,314**	Nil	Nil	Nil

Notes:

(1) The carrying value of accounts payable and accrued liabilities is estimated due to the short-term nature of these instruments.

Reasons for the Offer and Use of Proceeds

Assuming the sale of US$[●] of units in this offering, after deducting the estimated underwriting discounts and offering expenses payable by us and assuming no exercise of the underwriters' over-allotment option, we expect to receive net proceeds of approximately US$[●] from this offering.

Gross proceeds	US$[●]
Underwriting discounts and commissions (up to 8.0% of gross proceeds)	US$[●]
Underwriting non-accountable expenses (0.85% of gross proceeds)	US$[●]
Miscellaneous underwriting fees expenses	US$[●]
Other offering expenses(1)	US$[●]
Net proceeds	US$[●]

(1) These consist of legal fees and expenses of approximately $[●] , the Nasdaq Capital Market listing fee of $50,000, accountant and auditing fees and expenses of approximately $[●], and other fees of approximately $[●] and excludes those other offering expenses that have already been paid.

We intend to use the net proceeds of this offering as follows, and we have ordered the specific uses of proceeds in order of priority.

Description of Use	**Net Proceeds**
General and Administrative Expenses (24 months)	US$[●]
IPF or Chronic Cough - Ifenprodil	
Phase 2 (USA)	US$[●]
Pancreatic Cancer - Ifenprodil	-
Preclinical	US$[●]
Phase 2	US$[●]
Small Cell Lung Cancer - Ifenprodil	
Preclinical	US$[●]
Phase 2	US$[●]
Strokes - DMT	
Preclinical	US$[●]
Phase 2	US$[●]
Unallocated Working Capital	US$[●]
Total	**US$[●]**

We would receive additional gross proceeds of US$[●] if all of the Warrants included in the units are exercised, assuming no exercise of the underwriters' over-allotment option. We intend to use any such proceeds for working capital and general corporate purposes. General corporate purposes may include capital expenditures.

Incentive Stock Options

On January 1, 2022, we granted 96,000 stock options with an exercise price of $4.10 per share, which options will expire on January 1, 2027 at an exercise price of $4.10 per share.

There were no stock option grants during the year ended August 31, 2021.

During the year ended August 31, 2020, we granted 43,750 stock options with an exercise price of $10.00 per share, which options will expire on February 13, 2025, 45,500 stock options with an exercise price of $29.00 per share, which options will expire on April 13, 2025, and 6,000 stock options with an exercise price of $35.00 per share, which options will expire on August 17, 2025.

The following table represents the number of stock options that are outstanding as of January [●], 2022:

Date of Grant	Number of Options	Price Per Option	Expiry Date
May 18, 2017	1,000	$30.00	May 18, 2022
March 1, 2018	3,500	$48.00	March 1, 2023
February 13, 2020	27,000	$10.00	February 13, 2025
April 13, 2020	22,250	$29.00	April 13, 2025
August 17, 2020	6,000	$35.00	August 17, 2025
January 1, 2022	96,000	$4.10	January 1, 2027

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

This Prospectus should be read in conjunction with the accompanying financial statements and related notes. The discussion and analysis of the financial condition and results of operations are based upon the financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with these accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates or other forward-looking statements under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our actual results may differ materially as a result of many factors, including those set forth under the headings entitled "*Special Note Regarding Forward Looking Statements*" and "*Risk Factors*".

Critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments, are outlined below under the heading "*Critical Accounting Policies and Estimates*", and have not changed significantly since our founding.

Overview

Algernon Pharmaceuticals Inc. was incorporated on April 10, 2015 under the BCBCA. The registered office of Algernon is located at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Results of Operations for the Year Ended August 31, 2021 as Compared to the Year Ended August 31, 2020

The Company had a net loss of $7,734,080 for the year ended August 31, 2021 (2020 - $8,538,207). The Company's significant operating expenses included the following:

- Research and development of $4,797,012 (2020 - $2,675,493)
- Share-based payment of $827,402 (2020 - $3,179,440)
- Marketing expenses of $794,324 (2020 - $1,265,925)
- Salaries and benefits of $656,829 (2020 - $8,175)
- Professional fees of $607,672 (2020 - $1,171,258)
- General and administrative of $194,573 (2020 - $151,024)
- Shareholder communications of $173,312 (2020 - $209,740)

Research and development expenses for the year ended August 31, 2021 were $4,797,012 (2020 - $2,675,493) after partially offset by the Australia R&D incentive cash tax credit of $1,897,019 (2020 - $929,301) and the contribution of $66,012 (2020 - $16,048) from the National Research Council - Industrial Research Assistance Program for its COVID-19 Therapeutic Development Project. The increase was mainly due to increased activities in connection with the Company's various research studies and clinical trial programs that have been supported by the Company's CRO partner in Australia and run through the Company's foreign subsidiary in Australia. Eligible research and development expenditures incurred by the Company in Australia are refundable at 43.5%.

Salaries and benefits for the year ended August 31, 2021 were $656,829 (2020 - $8,175) which included salaries and cash settlement of the final tranche of RSUs paid to officers, independent directors and two employees. For the year ended August 31, 2021, officers and director fees were remunerated as salaries whereas in the prior year, they were remunerated as consultants.

Share-based payment for the year ended August 31, 2021 was $827,402 (2020 - $3,179,440). It was mainly consisted of share-based payment recognized for the restricted share units ("RSUs") over their vesting periods that were granted to certain directors, officers and consultants of the Company on July 23, 2020. As of August 31, 2021, all RSUs were vested and settled. The decrease for the year could be attributed to no issuance of stock options by the Company whereas a total of 95,250 stock options with a weighted average exercise price of $21.00 were granted to directors, officers and consultants of the Company in the prior year.

Marketing expenses of $794,324 (2020 - $1,265,925) consisted of expenses in relation to promotional activities to create and expand market presence of the Company. For year ended August 31, 2020, the Company invested in new and additional marketing communications campaigns and investor communications initiatives to improve the Company's visibility and market awareness of the Company to support the Company's multiple financing efforts which resulted in gross proceeds totalling $10,491,880 collectively from the November 2019 Offering, the February 2020 Offering, and the May 2020 Special Warrants Offering. In the year ended August 31, 2021, the Company undertook less promotional activities as the Company's financing activities were reduced to the closing of one private placement offering that resulted in gross proceeds of $2,815,010. Therefore, the marketing expenditures were significantly higher in the prior year.

Professional fees, which included legal, accounting and consulting fees, incurred in the operation of the business, were $607,672 (2020 - $1,171,258). The decrease was mainly due to a reclassification of remuneration for officers and directors from consulting fees to salaries.

General and administrative expenses of $194,573 (2020 - $151,024) included expenses incurred to support Company's day-to-day operational activities. The increase was mainly due to increases in insurance premiums incurred for the various clinical trial programs as well as increase in office rents.

Shareholder communications expenses, which included newswire subscription fees, communication advisory fees, transfer agent and filing expenses, were $173,312 for the year ended August 31, 2021 (2020 - $209,740). The higher costs in 2020 could be attributed to additional transfer agent and filing fees in connection with the various financing activities in 2020.

During the year ended August 31, 2021, the Company had a gain on restricted share units cash settlement of $305,117 (2020 - $nil). The gain was a result of lower market value of the Company's common shares at the settlement date than at the grant date.

Liquidity and Capital Resources

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

At August 31, 2021, the Company had a working capital of $3,886,947 compared to working capital at August 31, 2020 of $7,131,172. This included cash and cash equivalents of $2,411,163 (August 31, 2020 - $6,121,424) available to meet short-term business requirements and current liabilities of $1,022,314 (August 31, 2020 - $607,053). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has no long-term debt.

At present, the Company has no current operating income. The Company will need to raise sufficient working capital to maintain operations. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These uncertainties may cast doubt on the Company's ability to continue as a going concern.

The Company uses "working capital" to assess liquidity and general financial strength and is calculated as current assets less current liabilities.Working capital does not have any standardized meaning prescribed by IFRS and is referred to as a "Non-GAAP Financial Measure." It is unlikely for Non-GAAP Financial Measures to be comparable to similar measures presented by other companies.

Cash Used in Operating Activities

Operating activities used $7,822,617 in cash for the year ended August 31, 2021 compared to $6,609,933 in cash for the year ended August 31, 2020. The increase in cash used in operating activities for the year ended August 31, 2021 compared to the year ended August 31, 2020, was primarily due to the net loss of $7,734,080 and adjusting for items not involving cash in each year.

Cash Used in Investing Activities

The cash used in investing activities for the year ended August 31, 2021 was $124,488 compared to $99,741 in cash used in investing activities for the year ended August 31, 2020. The increase in cash used in investing activities for the year ended August 31, 2021 was due to additions in intangible assets.

Cash flows from Financing Activities

Cash flows generated from financing activities for the year ended August 31, 2021 were $4,245,207 compared to $12,619,745 for the year ended August 31, 2020. The decrease in cash generated from financing activities during the year ended August 31, 2021 was mainly due to a decrease in proceeds from the sale of securities issued or cash and a decrease in proceeds from the exercise of warrants and compensation options.

Off-Balance Sheet Arrangements

As of August 31, 2021 and 2020, we did not have any off-balance sheet debt nor did we have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons that may have material current or future effect on financial conditions, changes in the financial conditions, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses.

Research and Development, Patents and Licenses, etc.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized may include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred. Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss when incurred.

All of the Company's research programs and statistical analysis are being conducted by third party contract research organizations. All of the Company's drug development research programs have been directly managed by Dr. Mark Williams, the Company's Chief Science Officer until his resignation on March 1, 2021. Effective March 1, 2021, Dr. Christopher Bryan assumed the position of Vice President of Research and Operations directly in charge of all of the Company's drug development research programs. Some independent laboratories are also being utilized for mechanism of action research.

All research and development work is carried out by the Company's wholly-owned Canadian subsidiary, Nash Pharmaceuticals Inc. On January 6, 2020, Nash Pharma established a wholly-owned Australian, Algernon Research Pty Ltd. Through its ongoing research programs, Nash Pharma is seeking to minimize investment and drug development risk by taking advantage of regulatory approved drugs and discovering alternative clinical uses by accelerating entry into phase II clinical trials (human).

The Company qualifies for the Australian R&D tax credit as it has incurred qualified R&D expenditures undertaken in Australia. The tax credit is calculated as 43.5% of qualified R&D expenditures incurred. The Company recognizes a tax credit receivable and records those amounts as a recovery against R&D expenses in the relevant periods to match with the related expenditures.

Trend Information

Due to our short operating history, we are not aware of any trends that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Going Concern

As at August 31, 2021, the Company has an accumulated deficit of $23,546,345 (August 31, 2020 - $17,463,488) and for the year then ended incurred a net loss of $ 7,734,080 (August 31, 2021 - $8,538,207). The Company will need to raise sufficient working capital to maintain operations. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These annual consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These annual consolidated financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. If the going concern basis was not appropriate for these financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used.

Internal control over financial reporting and disclosure controls and procedures

Management is responsible for the design and maintenance of both internal control systems over financial reporting and disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Current disclosure controls include meetings with the Chief Executive Officer, Chief Financial Officer and members of our Board of Directors and Audit Committee through e-mails, on telephone conferences and informal meetings to review public disclosure. All public disclosures are reviewed by certain members of senior management and our Board of Directors and Audit Committee. Our Board of Directors has delegated the duties to the Chief Executive Officer who is primarily responsible for financial and disclosure controls.

Management and the Board of Directors continue to work to mitigate the risk of material misstatement.

Financial Instruments & Risk Management

The Company's financial instruments as at August 31, 2021 included cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

The Company classifies its financial instruments into the following categories:

- cash and cash equivalent are classified as financial assets at fair value through profit or loss;
- accounts receivable is classified at amortized cost;
- restricted cash equivalents at fair value through profit or loss; and
- accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Financial instruments are measured at fair value by level using a fair value hierarchy that reflects the relative reliability of the inputs used in making the measurements.

- Level 1 - fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 - fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 - fair values are based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company classified its financial instruments at Level 1 and as follows:

	Financial Assets	**Loans and Receivables**	**Financial Liabilities**
	Fair Value Through Profit	Measured at Amortized Cost	Measured at Amortized Cost
At August 31, 2021			
Cash and cash equivalents	$2,411,163	-	-
Accounts receivable	-	$484	-
Restricted cash equivalents	57,500	-	-
Accounts payable and accrued liabilities	-	-	$(1,022,314)

	Financial Assets	**Loans and Receivables**	**Financial Liabilities**
	Fair Value Through Profit	Measured at Amortized Cost	Measured at Amortized Cost
At August 31, 2020			
Cash and cash equivalents	$6,121,424	-	-
Accounts receivable	-	$37,408	-
Restricted cash equivalents	57,500	-	-
Accounts payable and accrued liabilities	-	-	$(607,053)

The Company's risk exposure and impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable. The Company's accounts receivable is mainly comprised of GST receivable, accrued interest receivable from GIC's held with bank, and accrued Australia R&D tax credit receivable. GST receivable and Australia R&D tax credit receivable are not financial instruments as they do not arise from contractual obligations. The Company limits exposure to credit risk on bank deposits by holding demand deposits in high credit quality banking institutions in Canada. Management believes that the credit risk with respect to receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. All of the Company's financial obligations are due within one year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risks. The Company is not exposed to significant interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of its short-term investment nature. The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents and restricted cash equivalents. The Company's cash equivalents hold interest rates ranging from 0.15% to 1.8%.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

Foreign currency risk

Foreign currency risk is related to fluctuations in foreign exchange rates. The Company has certain expenditures that are denominated in US dollars ("**US$**"), Australian dollars ("**AUD$**") and other operating expenses that are mainly in Canadian dollars ("**CAD$**"). The Company funds cash calls to its foreign subsidiary in Australia in AUD$. The Company's exposure to foreign currency risk arises primarily on fluctuations in the exchange rate of the CAD$ relative to the US$ and the AUD$.

As at August 31, 2021, the Company had monetary assets of US$19,796 or $24,976 (August 31, 2020 - US$21,499 or $28,040) at the CAD equivalent and monetary liabilities of US$78,289 or $98,777 (August 31, 2020- US$84,285 or $109,924) at the CAD equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US$ by 10% will increase or decrease other comprehensive loss by approximately $7,380 (August 31, 2020 - $8,188).

The Company has not entered into any foreign currency contracts to mitigate this risk. Foreign currency risk is considered low relative to the overall financial operating plan

Tabular Disclosure of Contractual Obligations

The following is an analysis of the contractual maturities of our non-derivative financial liabilities as at August 31, 2021:

Contractual Obligations	Total	Less than 1 year	1 - 3 years
Long-Term Debt Obligations	$ -	$ -	$ -
Capital (Finance) Lease Obligations	$ -	$ -	$ -
Operating Lease Obligations	$ -	$ -	$ -
Purchase Obligations	$ -	$ -	$ -
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under the GAAP of the primary financial statements	$ -	$ -	$ -
Total	**$ -**	**$ -**	**$ -**

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period.

Actual outcomes could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis.

The Company assesses on an annual basis if the intangible assets with finite life have indicators of impairment. In determining whether the intangible assets are impaired, the Company assesses certain criteria, including observable decreases in value, significant changes with adverse effect on the entity, evidence of technological obsolescence and future plans. The Company will impair or write-off when it abandons a drug or determine an amortization policy when a compound is approved.

Following initial recognition, the Company carries the value of the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Intangibles assets such as patents, once approved, will have a finite life based on their expiry dates and will be amortized on a straight-line over their economic or legal life. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense. As at August 31, 2021, the Company has not amortized the intangible assets as amortization begins when the intangible assets are available for use.

Apart from the above, there have been no material revisions to the nature and amount of changes in estimates of amounts reported in its audited consolidated financial statements for the year ended August 31, 2021.

New Accounting Policy Adopted

New standard IFRS 16 "Leases"

The Company adopted IFRS 16 - Leases effective September 1, 2019. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company has reviewed the impact of IFRS 16 and concluded that the adoption of this standard did not have a significant effect on the Company's consolidated financial statements as it does not have any long-term leases.

DIRECTORS AND EXECUTIVE OFFICERS

Nasdaq Corporate Governance

The Company intends to comply with corporate governance requirements of the Nasdaq Marketplace Rules. The Company is a "foreign private issuer" as defined under Rule 3b-4 promulgated under the Exchange Act. As a foreign private issuer, the Company is not required to comply with all of the corporate governance requirements of the Nasdaq Marketplace Rules and may follow home country practice in lieu of the requirements of the Rule 5600 Series, the requirement to disclose third party director and nominee compensation set forth in Rule 5250(b)(3) and the requirement to distribute annual and interim reports set forth in Rule 5250(d). The Company has reviewed the Nasdaq corporate governance requirements and confirms that the Company intends to comply with the Nasdaq corporate governance standards in all significant respects if it is approved for listing on the Nasdaq Capital Market. The Company intends to disclose in its annual reports to be filed under section 13 of the Exchange Act, and on the Company's website, the manner in which the Company's corporate governance practice differs from the Nasdaq corporate governance requirements.

Board of Directors

Our Notice of Articles and Articles are attached to this Registration Statement as exhibits. The Articles of the Company provide that the number of directors is set at:

(a) subject to paragraphs (b) and (c), the number of directors that is equal to the number of the Company's first directors;

(b) if the Company is a public company, the greater of three and the number most recently elected by ordinary resolution (whether or not previous notice of the resolution was given); and
(c) if the Company is not a public company, the number most recently elected by ordinary resolution (whether or not previous notice of the resolution was given).

Our Board of Directors currently consists of five directors. Our directors are elected annually at each annual meeting of our Company's shareholders.

Our Board of Directors currently has one committee, the Audit Committee. The Board has not appointed a compensation committee or a nominating committee because the Board fulfills these functions. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors.

Our Board of Directors is responsible for appointing our Company's officers.

Board Committees

Our Board of Directors currently has three committees, the Audit Committee and the Compensation Committee and Nominating and Corporate Governance. The Audit Committee is governed by a charter approved by our Board of Directors, a copy of which is attached as an exhibit to this Registration Statement.

Audit Committee

The Company's Audit Committee consists of Harry Bloomfield (Chair), Raj Attariwala and David Levine and is chaired by David Levine. Each member of the Audit Committee satisfies the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market and meet the independence standards under Rule 10A-3 under the Exchange Act. Our Audit Committee financial expert is Harry Bloomfield who qualifies as an "audit committee financial expert" within the meaning of the SEC Rule 10A-3 and possesses financial sophistication within the meaning of the Listing Rules of the Nasdaq Stock Market. The Audit Committee oversees our accounting and financial reporting processes and the audits of the financial statements of the Company. The Audit Committee is responsible for, among other things:

- ensuring, through discussion with management and the external auditors, that the Company's annual and quarterly financial statements (individually and collectively, the "**Financial Statements**"), as applicable, present fairly in all material respects the financial conditions, results of operations and cash flows of the Company as of and for the periods presented;
- reviewing and recommending for approval to the Board, the Company's financial statements, accounting policies that affect the financial statements, annual MD&A and associated press release(s);
- reviewing significant issues affecting financial reports;
- monitoring the objectivity and credibility of the Company's financial reports;
- considering the effectiveness of the Company's internal controls over financial reporting and related information technology security and control;
- reviewing with auditors any issues or concerns related to any internal control systems in the process of the audit;
- reviewing 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;
- overseeing 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 Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; and
- taking 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.

Nominating and Corporate Governance Committee

On October 12, 2021, the Board of Directors adopted a new Nominating and Corporate Governance Committee Charter that complies with the requirements of Nasdaq Listing Rule 5605(e)(2), and has established a corporate governance committee (the "**N&CG Committee**") which operates under its Nominating and Corporate Governance Committee Charter. The N&CG Committee is currently comprised of David Levine, Raj Attariwala and Harry Bloomfield (Chair). The N&CG Committee is responsible for (i) identifying and recommending to the Board, individuals qualified to be nominated for election to the Board; (ii) recommending to the Board, the members and chairperson for each Board committee; and (iii) periodically reviewing and assessing the Company's corporate governance principles contained in the Nominating and Corporate Governance Committee Charter and making recommendations for changes thereto to the Board.

The N&CG Committee is responsible for, among other things:

- leading the Company's search for individuals qualified to become members of the Board;
- evaluating and recommending to the Board for nomination candidates for election or re-election as directors;
- establishing and overseeing appropriate director orientation and continuing education programs;
- making recommendations to the Board regarding an appropriate organization and structure for the Board of Directors;
- evaluating the size, composition, membership qualifications, scope of authority, responsibilities, reporting obligations and charters of each committee of the Board;
- periodically reviewing and assessing the adequacy of the Company's corporate governance principles as contained in the Nominating and Corporate Governance Committee Charter and, should it deem it appropriate, it may develop and recommend to the Board of Directors for adoption of additional corporate governance principles;
- periodically reviewing the Company's Articles in light of existing corporate governance trends, and shall recommend any proposed changes for adoption by the Board of Directors or submission by the Board of Directors to the Company's shareholders;
- making recommendations on the structure and logistics of Board of Directors' meetings and may recommend matters for consideration by the Board of Directors;
- considering, adopting and overseeing all processes for evaluating the performance of the Board of Directors, each committee and individual directors; and
- annually reviewing and assessing its own performance.

Compensation Committee

On October 12, 2021, the Board of Directors adopted a new Compensation Committee Charter which complies with the requirements of Nasdaq Listing Rule 5605(d)(1) and the Board of Directors has established a Compensation Committee (the "**Compensation Committee**"). The Compensation Committee is comprised of David Levine, Raj Attariwala and Harry Bloomfield (Chair).

The Compensation Committee assists the Board in fulfilling its oversight responsibilities relating to officer and director compensation, succession planning for senior management, development and retention of senior management and such other duties as directed by the Board.

Each of the Compensation Committee members satisfies the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of Nasdaq. The Compensation Committee will be responsible for, among other things:

- reviewing and approving the Company's compensation guidelines and structure;
- reviewing and approving on an annual basis the corporate goals and objectives with respect to the CEO of the Company;
- reviewing and approving on an annual basis the evaluation process and compensation structure for the Company's other officers, including salary, bonus, incentive and equity compensation;

- reviewing the Company's incentive compensation and other equity-based plans and recommending changes in such plans to the Board as needed.
- periodically making recommendations to the Board regarding the compensation of non-management directors, including Board and committee retainers, meeting fees, equity-based compensation and such other forms of compensation and benefits as the Committee may consider appropriate; and
- overseeing the appointment and removal of executive officers, and reviewing and approving for executive officers, including the CEO, any employment, severance or change in control agreements.

Directors, Executive Officers and Key Employees

The following table sets forth the names and select details of all of our directors, executive officers and key employees.

Name, Province/State and Country of Residence	Business Address	Age	Position	Date of Appointment
Harry J.F. Bloomfield(1)(2)(3) Quebec, Canada	Suite 915 - 700 West Pender Street, Vancouver, BC, V6C 1G8	77	Chairman and Director	September 8, 2021
Christopher J. Moreau Manitoba, Canada	Suite 915 - 700 West Pender Street, Vancouver, BC, V6C 1G8	57	Chief Executive Officer and Director	March 1, 2018
Christopher Bryan Manitoba, Canada	Suite 915 - 700 West Pender Street, Vancouver, BC, V6C 1G8	39	Vice President of Research and Operations	March 1, 2021
James Kinley Manitoba, Canada	Suite 915 - 700 West Pender Street, Vancouver, BC, V6C 1G8	43	Chief Financial Officer	December 1, 2021
Mark Williams Manitoba, Canada	Suite 915 - 700 West Pender Street, Vancouver, BC, V6C 1G8	50	Director	September 22, 2021
Raj Attariwala(1)(2)(3) British Columbia, Canada	Suite 915 - 700 West Pender Street, Vancouver, BC, V6C 1G8	53	Director	October 26, 2015
David Levine (1)(2)(3) British Columbia, Canada	Suite 915 - 700 West Pender Street, Vancouver, BC, V6C 1G8	54	Director	October 26, 2015

Notes:

(1) Member of Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating and Corporate Governance Committee.

Business Experience

The following summarizes the occupation and business experience during the past five years or more for our directors and executive officers as of the date of this Registration Statement.

Harry Bloomfield - Chairman and Director

Harry J. F. Bloomfield, Q.C., M.B.A., is a lawyer, business manager and philanthropist, and joined the Bar of Quebec in 1969 and was appointed Queen's Counsel in 1991. He began his business career with the J. Henry Schroder Banking Corporation in New York and served as Member of the Commission des Valeurs Mobiliers due Québec, now called the Autorité des Marchés Financiers - equivalent of the U.S. Securities and Exchange Commission in 1987 and 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) serving as the audit committee Chairman.

Christopher J. Moreau - Chief Executive Officer and Director

Mr. Moreau is a business professional in the life sciences sector with a background in biotechnology research, business development and experience in capital markets. Mr. Moreau was previously President & CEO and Director of Miraculins Inc., a publicly traded company focussed on the research & development of screening tests for prostate cancer, skin cholesterol and type 2 diabetes. He has over 30 years of senior management experience in private & publicly traded company environments.

James Kinley - Chief Financial Officer

Mr. Kinley is a Certified Professional Accountant (CPA, CA) with over 15 years of experience in building, leading, and advising corporations through their daily operations as well as on complex restructurings, mergers, acquisitions, and capital markets transactions. He also has experience in structuring and negotiating transactions with commercial and investment banks. He was previously the CFO for Medicure Inc. (TSX-V: MPH), another Canadian publicly traded pharmaceutical company, a position he held for nearly 10 years.

Christopher Bryan - Vice President of Research and Operations

Dr. Christopher Bryan graduated from the University of Toronto, with a PhD in organic chemistry. His background as a scientist and senior manager includes the synthesis of novel small molecules as potential therapeutic agents, the coordination of regional commercial teams and internal departments (i.e., marketing, R&D, manufacturing, sales and regulatory affairs), and the management of strategic relationships including those involving opinion leaders. He also has experience in scientific writing, data analysis and literature review. Since joining the Company on a full-time basis last year, Dr. Bryan has been managing its contract research providers and clinical trials, as well as all of its vendor relationships. He has also been managing the Company's intellectual property suite.

Raj Attariwala - Director

Dr. Attariwala is a dual board certified Radiologist and Nuclear Medicine physician certified in both Canada and the United States. He 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. He holds a doctorate in Biomedical Engineering from Northwestern University (Evanston, IL).

David Levine - Director

David Levine has over 25 years of experience in the life sciences and technology sectors. He started his career at Baxter Healthcare. Mr. Levine also has experience running drug and device manufacturing operations, commercializing life sciences innovation and has obtained regulatory approvals for drugs and devices on a global basis. He is active in health technology, pharmacy technology, and technology mergers and acquisitions.

Mark Williams - Director

Dr. Mark Williams has over 15 years of experience in drug and medical device development having repurposed three drugs from preclinical studies directly to positive phase II data including manufacturing and toxicology. Dr. Williams is the author of more than twelve patents and an inventor of DM199 (a recombinant protein) in phase II trials for stroke and kidney disease. Dr. Williams is also involved in the financing and collaboration side of various life science companies and has assisted such companies with securing arrangements with drug foundations, pharma companies and various government agencies including Health Canada and US FDA. In the past five years, Dr. William has served as the former Chief Science Officer of Algernon, President and Chief Scientific Officer of Alphanco Venture Corp., Chief Scientific Officer of Marvel Biotechnology Inc., Vice President of Research of Diamedica Therapeutics Inc. and Vice President of Research and clinical Affairs of Cerebra.

Board Practices

Corporate governance refers to the policies and structure of the board of directors of a corporation, whose members are elected by and are accountable to the shareholders of the corporation. 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.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics (the "**Code of Ethics**") that applies to all of our employees and officers, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Ethics meets the requirements for a "code of ethics" within the meaning of that term in Item 16B of Form 20-F. The Code of Business Conduct and Ethics is filed as Exhibit 14.1 to the Registration Statement of which this prospectus forms a part.

Board of Directors

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 these 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.

The 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 Board 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: David Levine and Raj Attariwala.

Directorships

Certain of the directors 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

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

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 BCBCA, 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

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. The Board 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:

- the appropriate size of the Company's Board;
- the needs of the Company with respect to the particular talents and experience of its directors;
- the personal and professional integrity of the candidate;
- level of education and/or business experience;
- broad-based business acumen;
- the level of understanding of the Company's business and the pharmaceutical industry in which it operates and other industries relevant to the Company's business;
- the ability and willingness to commit adequate time to Board and committee matters;
- the fit of the individual's skill 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;
- the ability to think strategically and a willingness to share ideas; and
- 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.

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 compare 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.

Advisory Board

Medical and Scientific Advisory Board

The Company has a Medical and Scientific Advisory Board in place, complete with individuals who have various backgrounds and experience to complement our operations, mission and business strategy. The Medical and Scientific Advisory Board provides suggestions to our management on as-needed basis. The Medical and Scientific Advisory Board does not have a charter and does not meet on a scheduled basis. It is comprised of the following individuals:

Name	Position
Dr. Martin Kolb	Medical and Scientific Advisory Board member
Dr. Jacky Smith	Medical and Scientific Advisory Board member
Dr. Mark Swaim	Medical and Scientific Advisory Board member

Dr. Martin Kolb, Medical and Scientific Advisory Board

Dr. Kolb is the Moran Campbell Chair and Professor in Respiratory Medicine and Director of the Division of Respirology, McMaster University, Hamilton, Ontario, Canada. He is lead of the interstitial lung disease program, located at St. Joseph's Healthcare Hamilton, where more than 1,500 patients with different types of fibrotic interstitial lung disorders are seen annually. His major research interests are the mechanisms of lung fibrosis, with a particular interest in the role of growth factors, matrix abnormalities and pulmonary vessel remodelling in disease progression.

He leads activities in biomarker development for lung fibrosis, and is a Principal Investigator and steering committee member in numerous clinical trials. Dr. Kolb has authored over 150 peer-reviewed publications on different basic science and clinical topics. He is the Chief-Editor of the European Respiratory Journal, the flagship publication of the European Respiratory Society. He is also an editorial board member of American Journal of Respiratory and Critical Care Medicine, American Journal of Respiratory Cell and Molecular Biology, the European Respiratory Review and Respirology and serves on the Lung Injury & Repair Study Section for the National Institute of Health.

Dr. Jacky Smith, Medical and Scientific Advisory Board

Dr. Smith is a Professor of Respiratory Medicine at the University of Manchester and an Honorary Consultant at Manchester University NHS Foundation Trust. She runs a multi-disciplinary research team whose focus is on understanding mechanisms underlying pathological cough and a regional clinical service seeing patients with refractory Chronic Cough. She is also the Director of the NIHR Manchester Clinical Research Facility and Leads the Rapid Translational Incubator Theme of the NIHR Manchester Biomedical Research Centre.

In collaboration with Mr. Kevin McGuinness (clinical engineer), she has developed a novel method for semi-automated cough detection that was licensed to Vitalograph Ltd., a medical device company with whom she collaborates. The subsequent commercialization of this cough monitoring system has changed the standards by which novel cough therapies are evaluated in regulatory clinical trials. Moreover, the use of this system to quantify coughing in a study of patients attending her Chronic Cough clinic facilitated the discovery of a new class of efficacious anti-tussive therapy, P2X3 antagonists.

Dr. Mark Swaim, Medical and Scientific Advisory Board

On October 9, 2020 the Company announced that Dr. Mark Swaim, a former practicing physician and researcher has joined the Algernon Medical and Scientific Advisory Board.

Dr. Mark Swaim, MD, PhD graduated from Duke University with honours, where he was an NIH-sponsored Medical Scientist Training Program scholar, and was elected to the Alpha Omega Alpha Honor Medical Society and served as its president. He completed post-graduate training in internal medicine, gastroenterology and hepatology at Duke University Medical Center and post-doctoral research at National Taiwan University in Taipei. Dr. Swaim served on the faculties of Duke University Medical Center, University of Texas MD Anderson Cancer Center and the McGovern Medical School of University of Texas in Houston. He was elected to fellowship in the American College of Physicians. He is editor-in-chief and founder of BioPub.co, a small-cap biotech special situations investing website with a global following.

Business Advisory Board

The Company has a Business Advisory Board in place, complete with individuals who have various backgrounds and experience to complement our operations, mission and business strategy. The Business Advisory Board provides suggestions to our management on as-needed basis. The Business Advisory Board does not have a charter and does not meet on a scheduled basis. It is comprised of the following individuals:

Name	Position
Howard Gutman	Business Advisory Board member

Howard Gutman, Business Advisory Board

Ambassador (Rtd) Gutman acted, during his distinguished career over the past three decades, as an international lawyer, served in a number of high-profile appointments for the government of the United States, including Ambassador to Belgium, and served as 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.

Family Relationships

There are no family relationships among any of our directors and executive officers.

Term of Office

Each director of our company is to serve for a term of one year ending on the date of the subsequent annual meeting of shareholders following the annual meeting at which such director was elected. Notwithstanding the foregoing, each director is eligible for re-election or re-appointment. Our Board of Directors appoints our officers and each officer is to serve until his successor is appointed and qualified in accordance with the terms and conditions and at the remuneration that the Board of Directors see fit and are subject to termination at the pleasure of the Board of Directors.

Involvement in Certain Legal Proceedings

During the past ten years, none of our directors or executive officers have been the subject of the following events:

1. a petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

2. convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

3. the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities;

    (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

    (ii) engaging in any type of business practice; or

    (iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

4. the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph 3.i in the preceding paragraph or to be associated with persons engaged in any such activity;

5. was found by a court of competent jurisdiction in a civil action or by the SEC to have violated any Federal or State securities law, and the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated;

6. was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

7. was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

(i) any Federal or State securities or commodities law or regulation; or

(ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or

(iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

8. was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Director Independence

Our Board has determined that the following directors are "independent" as such directors do not have a direct or indirect material relationship with our company. A material relationship is a relationship which could, in the view of our Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

- Harry Bloomfield;
- David Levine; and
- Raj Attariwala.

Employees

As of the end of the Company's most recently completed financial year, August 31, 2021, the Company had two employees, other than the Company's executive officers. As of the date of this Registration Statement, the Company has two employees, other than the Company's executive officers. The Company uses consultants for the provision of all management and other services.

EXECUTIVE COMPENSATION

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

All monetary amounts herein are expressed in Canadian Dollars ("**$**") unless otherwise stated. In this Statement:

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

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

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

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

1) 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;

2) 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;

3) 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

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

Director and Named Executive Officer Compensation

As at the year ended August 31, 2021, the Company had three NEOs, namely Christopher Moreau, the Chief Executive Officer and a director, Mark Williams, the former Chief Science Officer and Michael Sadhra, the Chief Financial Officer and former director. The Company had two independent directors: Raj Attariwala and David Levine.

This section sets out the objectives of our Company's executive compensation arrangements, our Company's executive compensation philosophy and the application of this philosophy to our Company's executive compensation arrangements. It also provides an analysis of the compensation design, and the decisions that the Board made in fiscal 2021 with respect to its NEOs (as herein defined). Subsequent to end of the 2021 fiscal year, the Company established the Compensation Committee. The Compensation Committee determines compensation for the directors and officers of the Company as well as the procedures for this determination. See "Directors, Senior Management and Employees - Board Practices - Compensation Committee.

Director and NEO Compensation Excluding Options and Compensation Securities

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

Name and Principal Position	Year	Salary consulting fee, retainer or commission ($)	Bonus ($)	Committee or meeting ($)	Value of Perquisites ($)	Value of all other compen-sation ($)	Total Compen-sation ($)
Christopher Moreau[1] *CEO and Director*	2021 2020	220,000 157,000	Nil 100,000	Nil Nil	Nil Nil	36,029 Nil	256,029 257,000
Mark Williams[2] *Former Chief Science Officer*	2021 2020	116,667 166,663	Nil 100,000	Nil Nil	Nil Nil	Nil Nil	116,667 266,663
Michael Sadhra[3] *Former CFO and Former Director*	2021 2020	120,000 60,000	Nil 20,000	Nil Nil	Nil Nil	28,864 Nil	148,864 80,000
Christopher Bryan[4] *Vice President of Research and Operations*	2021 2020	108,333 N/A	Nil N/A	Nil N/A	Nil N/A	Nil N/A	108,333 N/A
Raj Attariwala *Director*	2021 2020	6,000 4,000	Nil Nil	Nil Nil	Nil Nil	7,216 Nil	13,216 4,000
David Levine *Director*	2021 2020	6,000 4,000	Nil Nil	Nil Nil	Nil Nil	7,216 Nil	13,216 4,000

Name and Principal Position	Year	Salary consulting fee, retainer or commission ($)	Bonus ($)	Committee or meeting ($)	Value of Perquisites ($)	Value of all other compen-sation ($)	Total Compen-sation ($)
Alfred Wong[5] *Former VP Corporate Development*	2021 2020	Nil 4,000	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil 4,000

Notes:

(1) Mr. Moreau was appointed as CEO on March 1, 2018 and as a director on May 5, 2020.
(2) Dr. Williams was appointed Chief Science Officer on October 19, 2018 and resigned effective on March 1, 2021. Dr. Williams was appointed as director of the Company on September 22, 2021.
(3) Mr. Sadhra resigned as director of the Company on September 16, 2021 and as CFO on November 30, 2021.
(4) Dr. Bryan was appointed as Vice President of Research and Operations on March 1, 2021.
(5) Mr. Wong resigned as the VP Corporate Development of the Company on August 27, 2019.

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

1) 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;

2) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of NEOs in their capacity as NEOs; or

3) any arrangement for the compensation of NEOs of Directors for services as consultants or expert.

Compensation Securities

There were no compensation securities granted or issued to any NEO or Director of the Company during the most recently completed financial year ended August 31, 2021.

As of August 31, 2021, the NEOs and Directors of the Company held the following compensation securities:

Mr. Moreau had a total of 20,000 stock options and nil RSUs:

- 2,500 stock options were issued on March 1, 2018, each exercisable into one Common Share at a price of $48.00 per share until March 1, 2023;
- 5,000 stock options issued on February 13, 2020, each exercisable into one Common Share at a price of $10.00 per share until February 13, 2025;
- 12,500 stock options issued on April 13, 2020, each exercisable into one Common Share at a price of $29.00 per share until April 13, 2025; and
- 12,500 RSUs were issued on July 23, 2020, each RSU convertible into one Common Share. The RSUs vested over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 4,125 RSUs vested on July 23, 2020. As of August 31, 2021, all RSUs were settled. A total of 8,250 RSUs from the first and second tranches were settled in common shares with the third and final tranche of 4,250 RSUs settled in cash.

Dr. Williams had a total of 17,500 stock options and nil RSUs:

- 5,000 stock options issued on February 13, 2020, each exercisable into one Common Share at a price of $10.00 per share until February 13, 2025. These stock options were exercised on May 27, 2021;

- 12,500 stock options issued on April 13, 2020, each exercisable into one Common Share at a price of $29.00 per share until April 13, 2025. These stock options expired unexercised on May 29, 2021 upon Dr. Williams' resignation as Chief Science Officer effective March 1, 2021; and

- 10,000 RSU's were issued on July 23, 2020, each RSU convertible into one Common Share. The RSUs vested over a 12 month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. As of August 31, 2021, a total of 6,600 RSUs from the first and second tranches were settled in common shares. Upon Dr. Williams' resignation as Chief Science Officer effective March 1, 2021, the third and final tranche of 3,400 RSUs were forfeited.

Mr. Sadhra had a total of 22,000 stock options and nil RSUs:

- 500 stock options were issued on May 18, 2017 each exercisable into one Common Share at a price of $30.00 per share until May 18, 2022;

- 1,500 stock options were issued on March 1, 2018 exercisable into one Common Share at a price of $48.00 per share until March 1, 2023;

- 10,000 stock options issued on February 13, 2020, each exercisable into one Common Share at a price of $10.00 per share until February 13, 2025;

- 10,000 stock options issued on April 13, 2020, each exercisable into one Common Share at a price of $29.00 per share until April 13, 2025; and

- 10,000 RSUs were issued on July 23, 2020, each RSU convertible into one Common Share. The RSUs vested over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 3,300 RSUs vested on July 23, 2020. As of August 31, 2021, all RSUs were settled. A total of 6,600 RSUs from the first and second tranches were settled in common shares with the third and final tranche of 3,400 RSUs settled in cash.

Mr. Attariwala had a total of 5,000 stock options and nil RSUs:

- 500 stock options were issued on May 18, 2017 each exercisable into one Common Share at a price of $30.00 per share until May 18, 2022;

- 500 stock options were issued on March 1, 2018 exercisable into one Common Share at a price of $48.00 per share until March 1, 2023;

- 2,000 stock options issued on February 13, 2020, each exercisable into one Common Share at a price of $10.00 per share until February 13, 2025;

- 2,000 stock options issued on April 13, 2020, each exercisable into one Common Share at a price of $29.00 per share until April 13, 2025; and

- 2,500 RSUs were issued on July 23, 2020, each RSU convertible into one Common Share. The RSUs vested over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 825 RSUs vested on July 23, 2020. As of August 31, 2021, all RSUs were settled. A total of 1,650 RSUs from the first and second tranches were settled in common shares with the third and final tranche of 850 RSUs settled in cash.

Mr. Levine had a total of 5,000 stock options and nil RSUs:

- 500 stock options were issued on May 18, 2017 each exercisable into one Common Share at a price of $30.00 per share until May 18, 2022;
- 500 stock options were issued on March 1, 2018 exercisable into one Common Share at a price of $48.00 per share until March 1, 2023.
- 2,000 stock options issued on February 13, 2020, each exercisable into one Common Share at a price of $10.00 per share until February 13, 2025;
- 2,000 stock options issued on April 13, 2020, each exercisable into one Common Share at a price of $29.00 per share until April 13, 2025; and
- 2,500 RSUs were issued on July 23, 2020, each RSU convertible into one Common Share. The RSUs vested over a 12-month period with 1/3 vesting on the grant date, 1/3 vesting on January 22, 2021 and the remaining 1/3 vesting on July 22, 2021. A total of 825 RSUs vested on July 23, 2020. As of August 31, 2021, all RSUs were settled. A total of 1,650 RSUs from the first and second tranches were settled in Common Shares with the third and final tranche of 850 RSUs settled in cash.

Exercise of Compensation Securities by Directors and NEOs:

The following table sets out compensation securities that were exercised/settled by Directors and NEOs during the financial year ended August 31, 2021:

Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security ($)	Date of exercise/vesting	Closing price per security on date of exercise ($)	Difference Between exercise price and closing price on date of exercise ($)	Total value on exercise date ($)
Christopher Moreau *CEO and Director*	RSUs	4,125	$35.00	07/23/20	$35.00	N/A	$144,375
		4,125	$26.60	01/22/21	$26.60		$109,725
		4,250	$8.50	07/22/21	$8.50		$36,079
Mark Williams *Director and Former Chief Science Officer*	RSUs	3,300	$35.00	07/23/20	$35.00	N/A	$115,500
		3,300	$26.60	01/22/21	$26.60		$87,780
Michael Sadhra *CFO and Former Director*	RSUs	3,300	$35.00	07/23/20	$35.00	N/A	$115,500
		3,300	$26.60	01/22/21	$26.60		$87,870
		3,400	$8.50	07/22/21	$8.50		$28,864
Raj Attariwala *Director*	RSUs	825	$35.00	07/23/20	$35.00	N/A	$28,875
		825	$26.60	01/22/21	$26.60		$21,945
		850	$8.50	07/22/21	$8.50		$7,216
David Levine *Director*	RSUs	825	$35.00	07/23/20	$33.00	N/A	$28,875
		825	$26.60	01/22/21	$26.60		$21,945
		850	$8.50	07/22/21	$8.50		$7,216

Stock Option Plan

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

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

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

Material Terms to the Stock Option Plan

1) The number of Common Shares which may be the subject of Stock Options on a yearly basis to any one person cannot exceed 5% of the number of issued and outstanding Common Shares at the time of the grant;

2) Stock Options may be granted to any employee, officer, director, consultant, affiliate or subsidiary of the Company exercisable at a price which is not less than the market price of Common Shares on the date of the grant;

3) The directors of the Company may, by resolution, determine the time period during which any Stock Option may be exercised (the "**Exercise Period**"), provided that the Exercise Period does not contravene any rule or regulation of such exchange on which the Common Shares may be listed;

4) All Stock Options will terminate on the earliest to occur of:

   (i) the expiry of their term;

   (ii) the date of termination of an optionee's employment, office or position as director, if terminated for just cause;

   (iii) 90 days (or such other period of time as permitted by any rule or regulation of such exchange on which the Common Shares may be listed) following the date of termination of an optionee's position as a director or NEO, if terminated for any reason other than the optionee's disability or death; and

   (iv) 30 days following the date of termination of an optionee's position as a consultant engaged in investor relations activities, if terminated for any reason other than the optionee's disability, death, or just cause;

5) Stock Options are non-assignable and non-transferable and are subject to early termination in the event of the death of a participant or in the event a participant ceases to be a NEO, director, employee, consultant, affiliate, or subsidiary of the Company, as the case may be.

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

Restricted Share Unit (RSU) Plan

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

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

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

(i) providing Eligible Persons with additional incentive through an opportunity to receive discretionary bonuses in the form of Common Shares,

(ii) encouraging stock ownership by such Eligible Persons,

(iii) increasing the proprietary interest of Eligible Persons in the success of the Company, and

(iv) increasing the ability to attract, retain and motivate Eligible Persons. Similar to the Stock Option Plan, the maximum number of Common Shares reserved for issuance under the RSU Plan shall not exceed 10% of the issued and outstanding Common Shares from time to time (the "**10% Maximum**"), less any Common Shares reserved for issuance under all other compensation agreements, such as the Stock Option Plan.

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

Material Terms to the RSU Plan

1) 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;

2) Where the Board determines to grant a RSU Award to an Eligible Person and sets the terms and conditions applicable to such RSU Award, the Company shall deliver to the Eligible Person a RSU Grant Letter, containing the terms and conditions applicable to such RSU Award and will credit the Participant's account with the number of RSUs granted to such Participant under the terms of the RSU Award on the grant of an RSU Award;

3) The grant of a RSU Award shall entitle the Participant to the conditional right to receive for each RSU credited to the Participant's Account, at the election of the Company, either one Common Share or an amount in cash, net of applicable taxes and contributions to government sponsored plans, as determined by the Board, equal to the market price of one Common Share for each RSU credited to the Participant's Account on the Settlement Date, subject to the conditions set out in the RSU Grant Letter and in the Plan, and subject to all other terms of the RSU Plan;

4) 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;

5) 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;

6) Subject to the provisions of the RSU Plan and any vesting limitations imposed by the Board at the time of grant, RSUs subject to an RSU Award may be settled by a Participant during the Settlement Period applicable to the RSU by delivery to the Company of a notice (the "**Settlement Notice**") in a form attached to the RSU Grant Letter. As soon as practicable following the receipt of the Settlement Notice, RSUs will be settled by the Company through the delivery by the Company of such number of Common Shares equal to the number of RSUs then being settled or, at a Company's election, an amount in cash, net of applicable taxes and contributions to government sponsored plans, equal to the market price at the Settlement Date of one Common Share for each RSU then being settled. Where, prior to the Expiry Date, a Participant fails to elect to settle an RSU, the Participant shall be deemed to have elected to settle such RSUs on the day immediately preceding the Expiry Date.

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

(i) the Company may arrange for such number of the Common Shares to be sold as it deems necessary or advisable to raise an amount at least equal to its determination of such applicable taxes, with such amount bring withheld by the Company; or

(ii) the Company may elect to settle for cash such number of RSUs as it deems necessary or advisable to raise funds sufficient to cover such withholding taxes with such amount being withheld by the Company; or

(iii) the Company may, as a condition of settlement in the form of Common Shares, require the Participant to pay the applicable taxes as determined by the Company or make such other arrangement acceptable to the Company in its discretion (if at all) as it deems necessary or advisable.

8) Except as otherwise determined by the Board:

(i) The "Termination Date" means the date on which a Participant ceases to be an Eligible Person;

(ii) all RSUs held by the Participant (whether vested or unvested) shall terminate automatically upon the termination of the Participant's service with the Company or any subsidiary companies for any reason other than as set forth in paragraph (b) and (c) below;

(iii) in the case of a termination of the Participant's service by reason of (A) termination by the Company or any Subsidiary Companies other than for Cause, or (B) the Participant's death, the Participant's unvested RSUs shall vest automatically as of such date, and on the earlier of the original Expiry Date and any time during the ninety (90) day period commencing on the date of such termination of service (or, if earlier, the Termination Date), the Participant (or his or her executor or administrator, or the person or persons to whom the Participant's RSUs are transferred by will or the applicable laws of descent and distribution) will be eligible to request that the Company settle his vested RSUs.

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

(i) 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 it's vested RSUs. If the Participant fails to elect to settle a vested RSU, the Participant shall be deemed to have elected to settle such RSU on the 90th day and will receive Common Shares in respect thereof;

(ii) 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;

(iii) 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

(iv) 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.

9) RSUs shall not be transferable or assignable by the Participant otherwise than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of a Participant only by the Participant and after death only by the Participant's legal representative.

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

Employment, Consulting and Management Agreements

Management functions of the Company are substantially performed by directors or senior officers (or private companies controlled by then, either directly or indirectly) of the Company and not, to any substantial degree, by any other person with whom the Company has contracted.

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

The Company's affiliate, Nash Pharma entered into a Management Consulting Agreement dated July 1, 2018 with Dr. Mark Williams (the "**Williams Agreement**") whereby he was retained to act as the CEO of Nash Pharma. The Williams Agreement provided for the remuneration of Dr. Williams at the rate of CAD$13,333 per month (the " **Williams Base Fee**"). After the acquisition of Nash Pharma by the Company, the Williams Agreement was amended on October 19, 2018 ("**Williams Amended Agreement**") whereby Dr. Williams was appointed to the position of Chief Science Officer of Nash Pharma. The Williams Base Fee remained unchanged. The Williams Amended Agreement was further amended and restated on July 31, 2020 ("**Williams Amended and Restated Agreement**") whereby the Williams Base Fee was amended to CAD$16,666 per month effective on July 31, 2020. Dr. Williams resigned as Chief Science Officer effective March 1, 2021 and was appointed as director of the Company on September 22, 2021.

Under prior agreement with the Company, Michael Sadhra has acted as the Company's CFO at a rate of CAD$4,000 per month (the **Sadhra Base Fee**"). The Company amended and restated any prior agreement it had with Mr. Sadhra on July 31, 2020 ("**Sadhra Amended and Restated Agreement**") whereby the Sadhra Base Fee was amended to CAD$10,000 per month effective on July 31, 2020. Mr. Sadhra is not paid for being a director of the Company. 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 resigned as Director effective September 16, 2021.

Under prior agreement with the Company, Dr. Christopher Bryan has acted as the Company's Senior Scientist at a rate of CAD$8,000 per month (the "Bryan Consulting Agreement") since June 1, 2020. On March 1, 2021, the Company replaced the Bryan Consulting Agreement with an Executive Employment Agreement with Dr. Christopher Bryan whereby he was retained to act as the Company's Vice President of Research and Operations at a rate of CAD$ 10,833.33 per month.

Oversight and Description of Director and NEO Compensation

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

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

Philosophy and Objectives

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

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

In compensating its senior management, the Company has employed a combination of base salary and equity participation through its Stock Option Plan.

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

Base Salary or Consulting Fees

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

Bonus Incentive Compensation

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

Equity Participation

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

Given the evolving nature of the Company's business, the Board continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

Compensation Review Process

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

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

Long Term Compensation

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

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

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

- the exercise price for each stock option granted;
- the date on which each stock option is granted;
- the vesting terms for each stock option; and

- the other materials terms and conditions of each stock option grant.

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

Risks Associated with the Company's Compensation Program

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

Hedging by Named Executive Officers or Directors

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

Benefits and Perquisites

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

Option-Based Awards

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

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

Share-Based Awards

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

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

Oversight and Description of Director Compensation

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

Pension Plan Benefits

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

Termination and Change of Control Benefits

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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out, as of the end of the Company's fiscal year ended August 31, 2021 all required information with respect to compensation plans under which equity securities of the Company are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	155,750	$11.02	11,735 (1)
Equity compensation plans not approved by security holders	N/A	N/A	11,735(1)
Total	**155,750**		**11,735**(1)

Note:

(1) The Company had a total of 1,674,868 Common Shares issued and outstanding as at August 31, 2021. The maximum number of Common Shares reserved for issuance under the Stock Option Plan and RSU Plan collectively shall not exceed 10% of the issued and outstanding Common Shares from time to time.

PRINCIPAL SHAREHOLDERS

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of our common share as of January [●] , 2022 by (a) each stockholder who is known to us to own beneficially 5% or more of our outstanding common share; (b) all directors; (c) our executive officers, and (d) all executive officers and directors as a group. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their common shares, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their common shares.

Name	Common Shares of the Company Beneficially Owned (1)	Percentage of Common Shares Beneficially Owned (2)
Directors and Executive Officers:		
Christopher Moreau, Chief Executive Officer and Director	69,027 (3)	4.0%
Christopher Bryan, Vice President of Research and Operations	9,250 (4)	*
James Kinley, Chief Financial Officer	6,774 (5)	*
Raj Attariwala, Director	22,937 (6)	1.4%
David Levine, Director	12,937 (7)	*
Harry Bloomfield, Director	12,000 (8)	*
Mark Williams, Director	11,074 (9)	*
Directors and Executive Officers as a Group (7 persons)	143,999 (10)	8.1%

Name	Common Shares of the Company Beneficially Owned [1]	Percentage of Common Shares Beneficially Owned [2]
Other 5% or more Shareholders:		
N/A	-	-

Notes

(*) Less than 1%

(1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or common shares: (i) voting power, which includes the power to vote, or to direct the voting of Common Shares; and (ii) investment power, which includes the power to dispose or direct the disposition of Common Shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the common shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of Common Shares actually outstanding on January 20, 2022.

(2) The percentage is calculated based on 1,674,868 Common Shares that were outstanding as of January 20, 2022.

(3) This figure consists of (i) 17,027 Common Shares directly held by Mr. Moreau and (ii) 52,000 stock options to purchase 52,000 Common Shares which have vested as of January 20, 2022.

(4) This figure consists of 9,250 stock options to purchase 9,250 Common Shares which have vested as of January 20, 2022.

(5) This figure consists of (i) 24 Common Shares directly held by Mr. Kinley and (ii) 6,750 stock options to purchase 6,750 Common Shares which have vested as of January 20, 2022.

(6) This figure consists of (i) 11,437 Common Shares directly held by Mr. Attariwala and (ii) 11,500 stock options to purchase 11,500 Common Shares which have vested as of January 20, 2022.

(7) This figure consists of (i) 1,437 Common Shares directly held by Mr. Levine and (ii) 11,500 stock options to purchase 11,500 Common Shares which have vested as of January 20, 2022.

(8) This figure consists of (i) 2,000 Common Shares held by Eldee Foundation (over which Mr. Bloomfield has discretionary voting and investment authority) and (ii) 10,000 stock options to purchase 10,000 Common Shares which have vested as of January 20, 2022.

(9) This figure consists of (i) 4,574 Common Shares directly held by Mr. Williams and (ii) 6,500 stock options to purchase 6,500 Common Shares which have vested as of January 20, 2022.

(10) This figure consists of (i) 36,499 Common Shares and (ii) 107,500 stock options to purchase 107,500 Common Shares which have vested as of January 20, 2022.

The information as to shares beneficially owned, not being within our knowledge, has been furnished by the officers and directors.

RELATED PARTY TRANSACTIONS

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:

Year ended	August 31, 2021	August 31, 2020	August 31, 2019
Short-term benefits[1]	$ 596,375	$ 8,000	$ -
Consulting fees - other[2]	$ 11,750	$ 606,663	$ 297,391
Share-based payments[3]	$ 697,667	$ 2,489,669	$ -
Rent[4]	$ 36,000	$ 32,000	$ 24,000

Note:

(1) Salaries paid to officers and director fees to independent directors:
- $256,079 (August 31, 2020 - $nil, August 31, 2019 -$nil) to Chief Executive Officer;
- $148,864 (August 31, 2020 - $nil, August 31, 2019 -$nil) to Chief Financial Officer;
- $100,000 (August 31, 2020 - $nil, August 31, 2019 -$nil) to Chief Science Officer who resigned effective March 1, 2021;

- $65,000 (August 31, 2020 - $nil, August 31, 2019 -$nil) to VP of Research and Operations who took on the role effective March 1, 2021;
- $13,216 (August 31, 2020 - $4,000 August 31, 2019 -$nil) to an independent director; and
- $13,216 (August 31, 2020 - $4,000 August 31, 2019 -$nil) to an independent director.

(2) Fees paid to consultants/companies related to management personnel:
- $nil (August 31, 2020 - $257,000, August 31, 2019 - $108,000) to a company controlled by the Chief Executive Officer;
- $nil (August 31, 2020 - $80,000, August 31, 2019 - $48,000) to a company controlled by the Chief Financial Officer;
- $nil (August 31, 2020 - $266,663, August 31, 2019 - $138,491) to the Chief Science Officer; and
- $11,750 (August 31, 2020 - $3,000, August 31, 2019 - $2,900) for tax services paid to a partnership where Chief Financial Officer is a partner.

(3) Share-based payments were non-cash items that consisted of the fair value of RSUs that were granted but unvested.

(4) Rent:
- $36,000 (August 31, 2020 - $32,000, August 31, 2019 - $24,000) paid for corporate office space to a company controlled by Chief Financial Officer.

MATERIAL AGREEMENTS

We have not entered into any material agreements other than in the ordinary course of business and other than those described below or in this prospectus.

Share Exchange Agreement

On October 19, 2018, the Company acquired all of the issued and outstanding shares of Nash Pharma, a clinical stage pharmaceutical development company focused on drug repurposing in the areas of NASH, CKD and IBD. Through its ongoing research programs, Nash Pharma has developed data that supports the advancement of up to seven drug candidates into phase II trials.

Pursuant to the terms of a Share Exchange Agreement dated October 5, 2018 among the Company, Nash Pharma and the security holders of Nash Pharma, the Company issued 158,000 Common Shares to the shareholders of Nash Pharma at an issue price of $22.00 per Common Share. Existing warrants to purchase common shares of Nash Pharma were cancelled and were replaced with 148,000 Common Share purchase warrants of the Company, each having an exercise at a price equal to the exercise price of the Nash Pharma warrants.

Agency Agreement dated September 30, 2019 with Mackie Research Capital Corporation

In connection with the Company's November 2019 Offering of units on November 1, 2019, the Company entered into an agency agreement with Mackie Research Capital Corporation and paid Mackie, the sole agent and book-runner, a cash fee of $163,092, equal to 9% of the gross proceeds from the sale of the units, subject to a reduced fee of 4.5% for units issued to President's list purchasers. As additional compensation, the Company also issued an aggregate of 18,011 non-transferable compensation options, entitling the holder to acquire one unit at an exercise price of $8.50 per unit until May 1, 2022. Each unit consists of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to purchase one additional Common Share until May 1, 2022 at a purchase price of $12.00 per Common Share.

Warrant Indenture dated November 1, 2019, with AST Trust Company (Canada)

Pursuant to the November 2019 Offering, the Company issued 244,013 units at the issue price of $8.50 per unit for total gross proceeds of $2,074,110. Each unit was comprised of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to purchase one additional Common Share until May 1, 2022 at a purchase price of $12.00 per Common Share. The expiry date of the warrants was accelerated to January 21, 2021 resulting in the expiration of a total of 2,272 warrants. These Common Share purchase warrants were listed and posted for trading on the CSE under the symbol AGN.WT.

As compensation, the Company issued 18,011 compensation options to the agents under the November 2019 Offering. Each compensation option entitles the holder to purchase one unit of the Company at a price of $8.50 per unit until May 1, 2022. Each unit consists of one Common Share and one Common Share purchase warrant entitling the holder to acquire an additional Common Share at a purchase price of $12.00 per Common Share. The Company also paid a cash commission in the aggregate amount of $153,092 to a syndicate of agents.

Agency Agreement dated May 13, 2020 with Mackie Research Capital Corporation

In connection with the Company's Special Warrant Financing on May 13, 2020, the Company entered into an agency agreement with Mackie Research Capital Corporation and paid Mackie, the sole agent and book-runner, and a syndicate of sub-agents, a cash fee of $526,853, equal to 8% of the gross proceeds from the sale of the Special Warrants, subject to a reduced fee of 4% for Special Warrants issued to President's list purchasers. As additional compensation, the Company also issued an aggregate of 15,053 non-transferable compensation options, entitling the holder to acquire one Special Warrant Unit at an exercise price of $35.00 per Special Warrant Unit until May 13, 2022.

Special Warrant Indenture dated May 13, 2020 with AST Trust Company (Canada) and Warrant Indenture dated May 13, 2020 with AST Trust Company (Canada)

On May 13, 2020, the Company completed a private placement of 196,053 Special Warrants at a price of $35.00 per Special Warrant for gross proceeds of $6,861,850. Each Special Warrant is exercisable, for no additional consideration at the option of the holder, into one unit of the Company. Each Special Warrant Unit is comprised of one Common Share and one Common Share purchase warrant. Each whole Common Share purchase warrant will entitle the holder to purchase one Common Share at an exercise price of $55.00 per Common Share until May 13, 2022. If, at any time after the Qualification Date (as defined below) and prior to the expiry date of the Common Share purchase warrants, the volume weighted average trading price of the Common Shares on the CSE, or other principal exchange on which the Common Shares are listed, is greater than $100.00 for 10 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the holders of Common Share purchase warrants accelerating the Expiry Date to the date that is 30 days following the date of such notice.

All unexercised Special Warrants will be automatically exercised, without payment of additional consideration, on the date that is the earlier of: (i) four months and a day following May 13, 2020; and (ii) three business days following the date on which receipt is issued by the British Columbia Securities Commission for a final short form prospectus qualifying the distribution of the underlying the Special Warrants Units. In the event the Qualification Date has not occurred prior to 5:00 p.m. on the date that is 35 days from May 13, 2020, each unexercised Special Warrant will thereafter entitle holders thereof to receive upon the exercise or deemed exercise thereof, for no additional consideration, 1.10 Units in lieu of one (1) Unit and thereafter at the end of each additional 30 day period prior to the Qualification Date, each Special Warrant will be exercisable for an additional 0.0002 of a Unit.

In connection with the Special Warrant Financing, the Company paid Mackie Research Capital Corporation, the sole agent and bookrunner, and a syndicate of sub-agents, a cash fee of $526,853, equal to 8% of the gross proceeds from the sale of the Special Warrants, subject to a reduced fee of 4% for Special Warrants issued to President's list purchasers. As additional compensation, the Company also issued an aggregate of 15,053 non-transferable compensation options, entitling the holder to acquire one Special Warrant Unit at an exercise price of $35.00 per Special Warrant Unit until May 13, 2022.

MARKET FOR OUR SECURITIES

On February 1, 2016, our Common Shares began to trade on the CSE under the symbol “BTH” and in May of 2016, our Common Shares began to be quoted on the OTCQB under the symbol “BTHCF”. On February 19, 2019, our ticker symbol on the CSE changed from “BTH” to “AGN” and on December 30, 2019, our symbol changed from “BTHCF” to “AGNPF”. As of January 20, 2022, the last reported sale price of our Common Shares on the OTCQB was US$7.90 per share, and on January 20, 2022, we had 1,674,868 Common Shares outstanding. The market for our Common Shares is limited, volatile and sporadic.

The following table sets forth, for the periods indicated, the high and low bid prices of our Common Shares on the OTCQB as reported by Yahoo Finance. The following quotations reflect inter-dealer prices, without mark-up, markdown, or commissions, and may not reflect actual transactions.

	High Bid	Low Bid
Quarter ended		
November 30, 2021	US$9.29	US$3.44
August 31, 2021	US$14.10	US$6.00
May 31, 2021	US$32.10	US$11.60
February 28, 2021	US$43.80	US$14.40
November 30, 2020	US$27.20	US$15.00

Month ended		
December 31, 2021	US$4.56	US$2.50
November 30, 2021	US$6.51	US$3.44
October 31, 2021	US$7.25	US$5.84
September 30, 2021	US$9.30	US$6.60
August 31, 2021	US$10.90	US$6.30
July 31, 2021	US$11.00	US$6.00

The following table sets forth, for the periods indicated, the high and low sales prices of our Common Shares on the CSE as reported by Yahoo Finance.

	High	Low
Quarter ended		
November 30, 2021	CAD$10.50	CAD$4.50
August 31, 2021	CAD$18.00	CAD$7.50
May 31, 2021	CAD$40.00	CAD$14.50
February 28, 2021	CAD$54.00	CAD$18.50
November 30, 2020	CAD$24.50	CAD$19.00
Month ended		
December 31, 2021	CAD$5.90	CAD$3.25
November 30, 2021	CAD$8.00	CAD$4.50
October 31, 2021	CAD$9.00	CAD$7.50
September 30, 2021	CAD$10.50	CAD$8.00
August 31, 2021	CAD$13.00	CAD$8.50
July 31, 2021	CAD$13.00	CAD$7.50

We will apply to have our Common Shares and the Warrants included in the units listed on the Nasdaq Capital Market under the symbols "[●]" and "[●]", respectively. Currently, there is no established public trading market for the Warrants included in the units, and such a market might never develop. The successful listing of our Common Shares and Warrants on the Nasdaq Capital Market is a condition of this offering.

Holders

As of January 5, 2022, there were 30 holders of record of our Common Shares as reported by our transfer agent, AST Trust Company (Canada). There were also an undetermined number of holders who hold their shares in nominee or "street" name.

SECURITIES ELIGIBLE FOR FUTURE SALE

Common Shares

Upon completion of this offering at an assumed public offering price of $[●] per unit, we will have [●] Common Shares outstanding, not including (i) Common Shares underlying the Warrants included in the units, (ii) Common Shares underlying the Warrants to be issued to the Representative (please see below "Compensation Warrants", (iii) any Common Shares that may be sold pursuant to the underwriters' over-allotment option or (iv) any Common Shares underlying Warrants that may be sold pursuant to the underwriters' over-allotment option. All of the Common Shares sold in this offering will be freely transferable by persons other than by our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our Common Shares in the public market could adversely affect prevailing market prices of our Common Share. Prior to this offering, there has been a limited public market for our Common Shares. We intend on applying to list the Common Shares on the Nasdaq Capital Market under the symbol "[●]".

Additionally, we had approximately 83,500 vested options, 356,587 Warrants and 15,433 Broker Warrants outstanding as of August 31, 2021. The exercise price of the majority of these options and Warrants is significantly above our current market price.

Warrants Underlying Units

Upon completion of this offering, at an assumed public offering price of $[●] per unit, [●] Warrants underlying the units sold in this offering will be outstanding, not including any Warrants that may be sold pursuant to the underwriters' over-allotment option. All of the Warrants underlying the units sold in this offering will be freely transferable by persons other than by our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our Warrants in the public market could adversely affect prevailing market prices of our Common Shares. Prior to this offering, there has been no public market for our Warrants. We intend on applying to list the Warrants included in the units on the Nasdaq Capital Market under the symbol "[●]".

Pursuant to a warrant agency agreement between us and [●], as warrant agent, the Warrants will be issued in book-entry form and shall initially be represented only by one or more global warrants deposited with the warrant agent, as custodian on behalf of The Depository Trust Company, or DTC, and registered in the name of Cede & Co., a nominee of DTC, or as otherwise directed by DTC.

Exercisability. The Warrants are immediately exercisable and will expire on the date that is [●] years after their original issuance. The Warrants will be exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice.

Exercise Limitation. A holder will not have the right to exercise any portion of the Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, at the election of the holder, 9.99%) of our then outstanding common shares following such exercise; provided, however, that upon prior notice to us, such holder may increase or decrease its ownership, provided that in no event will the ownership exceed 9.99%, as such percentage ownership is determined in accordance with the terms of the Warrants. However, any holder may increase or decrease such percentage, provided that any increase will not be effective until the 61st day after such election.

Exercise Price. The Warrants will have an exercise price of $[●] per share ([●]% of the per Unit offering price). The exercise price is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our common shares and also upon any distributions of assets, including cash, stock or other property to our stockholders.

Cashless Exercise. If, at the time a holder exercises its Warrant, there is no effective registration statement registering, or the prospectus contained therein is not available for an issuance of the shares underlying the Warrant to the holder, then in lieu of making the cash payment otherwise contemplated to be made to us upon such exercise in payment of the aggregate exercise price, the holder may elect instead to receive upon such exercise (either in whole or in part) the net number of common shares determined according to a formula set forth in the Warrant.

Transferability. Subject to applicable laws, the Warrants may be offered for sale, sold, transferred or assigned without our consent.

Exchange Listing. Prior to this offering, there has been no public market for our Warrants. We intend on applying to list the Warrants included in the units on the Nasdaq Capital Market under the symbol "[●]".

Fundamental Transactions. If a fundamental transaction occurs, then the successor entity will succeed to, and be substituted for us, and may exercise every right and power that we may exercise and will assume all of our obligations under the Warrants with the same effect as if such successor entity had been named in the warrant itself. If holders of our common shares are given a choice as to the securities, cash or property to be received in a fundamental transaction, then the holder shall be given the same choice as to the consideration it receives upon any exercise of the warrant following such fundamental transaction. Additionally, as more fully described in the Warrant, in the event of certain fundamental transactions, the holders of the Warrants will be entitled to receive consideration in an amount equal to the Black Scholes value of the Warrants on the date of consummation of the transaction.

Rights as a Shareholder. Except as otherwise provided in the Warrants or by virtue of such holder's ownership of common shares, the holder of a Warrant does not have the rights or privileges of a holder of our common shares, including any voting rights, until the holder exercises the Warrant.

Compensation Warrants

In addition to cash compensation, we have agreed to issue to the Representative Compensation Warrants to purchase up to a total of [●] Common Shares (equal to 5.0% of the Common Shares sold in this offering). The Compensation Warrants will be immediately exercisable from time to time, in whole or in part, from the date of issuance until [●] years from the commencement of sales in this offering. The Compensation Warrants are exercisable at a per share price equal to US$[●]. The Compensation Warrants are also exercisable on a cashless basis. Pursuant to FINRA Rule 5110(e), the Compensation Warrants and any common shares issued upon exercise of such Warrants shall not be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of commencement of sales of this offering, except the transfer of any security: (i) by operation of law or by reason of reorganization of the issuer; (ii) to any FINRA member firm participating in the offering and the officers, partners, registered persons or affiliates thereof, if all securities so transferred remain subject to the lock-up restriction set forth above for the remainder of the time period; (iii) if the aggregate amount of our securities held by the Underwriters or related persons does not exceed 1% of the securities being offered; (iv) that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund and the participating members in the aggregate do not own more than 10% of the equity in the fund; (v) the exercise or conversion of any security, if all securities remain subject to the lock-up restriction set forth above for the remainder of the time period; (vi) if we meet the registration requirements of Forms S-3, F-3 or F-10; or (vii) back to us in a transaction exempt from registration with the SEC. The exercise price and number of Common Shares issuable upon exercise of the Compensation Warrants may be adjusted in certain circumstances including in the event of a stock dividend, subdivisions, combinations, reclassification, merger or consolidation. The Compensation Warrants and the Common Shares underlying the Compensation Warrants are being registered hereby.

Rule 144

As of [●], 2022, our transfer agent has recorded [●] of our outstanding Common Shares as restricted. These Common Shares may be resold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as that provided by Rule 144 promulgated under the Securities Act. In general, a person (or persons whose Common Shares are aggregated) who at the time of a sale is not, and has not been during the three months preceding the sale, an affiliate of ours and has beneficially owned our restricted securities for at least six months will be entitled to sell the restricted securities without registration under the Securities Act, subject only to the availability of current public information about us, and will be entitled to sell restricted securities beneficially owned for at least one year without restriction. Persons who are our affiliates and have beneficially owned our restricted securities for at least six months may sell a number of restricted securities within any three-month period that does not exceed the greater of the following:

- [●]% of the then outstanding Common Shares of the same class, which immediately after this offering will equal approximately Common Shares assuming the over-allotment option is not exercised; or
- if our Common Shares are listed on a national securities exchange (such as the Nasdaq Capital Market), the average weekly trading volume of our Common Shares, during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales by our affiliates under Rule 144 are also subject to certain requirements relating to manner of sale, notice and the availability of current public information about us.

NOTICE OF ARTICLES AND ARTICLES OF OUR COMPANY

As discussed above under the heading "Company Information", our company was incorporated under the laws of the Province of British Columbia, Canada on April 10, 2015.

Remuneration of Directors

Our directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to a director in such director's capacity as an officer or employee of ours.

Number of Directors

According to Article 13.1 of our Articles, the first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the BCBCA. The number of directors, excluding additional directors appointed under Article 14.8 is set at:

(a) subject to paragraphs (b) and (c), the number of directors that is equal to the number of our first directors;

(b) if we are a public company, the greater of three and the most recently set of:

a. the number of directors set by a resolution of the directors (whether or not previous notice of the resolution was given); and

b. the number of directors in office pursuant to Article 14.4;

(c) if we are not a public company, the number most recently set of:

a. the number of directors set by a resolution of the directors (whether or not previous notice of the resolution was given); and

b. the number of directors in office pursuant to Article 14.4.

Directors

Our directors are elected annually at each annual meeting of our company's shareholders. Our Articles provide that the Board of Directors may, between annual meetings appoint one or more additional directors to serve until the next annual meeting, but the number of additional directors must not at any time exceed:

(a) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
(b) in any other case, one-third of the number of the current directors who were elected or appointed as directors under Article 14.8.

Our Articles provide that our directors may from time to time on behalf of our company, without shareholder approval:

- create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- increase, reduce or eliminate the maximum number of shares that we are authorized to issue out of any class or series of shares or establish a maximum number of shares that we are authorized to issue out of any class or series of shares for which no maximum is established;
- subdivide or consolidate all or any of its unissued, or fully paid issued shares;
- if we are authorized to issue shares of a class of shares with par value:
    - decrease the par value of those shares; or
    - if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- change all or any of its unissued or fully paid issued shares with par value into shares without par value or all or any of its unissued shares without par value into shares with par value;
- alter the identifying name of any of its shares;
- otherwise alter it shares or authorized share structure when required or permitted to do so by the BCBCA it does not specify by a special resolution; and
- if applicable, alter our Notice of Articles accordingly.

Our Articles also provide that, we may by resolution of the directors authorize an alteration to our Notice of Articles to change our name or adopt or change any translation of that name.

Our Articles provide that the directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the Board held at regular intervals may be held at the place and at the time that the Board may by resolution from time to time determine. Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote. A director may participate in a meeting of the directors or of any committee of the directors in person, or by telephone or other communications medium, if all directors participating in the meeting, whether in person or by telephone or by other communications medium are able to communicate with each other. A director who participates in a meeting in a manner contemplated by such provisions of our Articles is deemed for all purposes of the BCBCA and our Articles to be present at the meeting and to have agreed to participate in that manner.

Our Articles provide that the quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be a majority of the directors or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

The Articles provide that a director or senior officer who holds a disclosable interest (as that term is used in the BCBCA) in a contract or transaction in to which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the BCBCA. Additionally, a director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution. A director or senior officer who holds any office or possess any property, right or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the BCBCA.

Our Articles do not set out a mandatory retirement age for our directors. Our directors are not required to own securities of our company to serve as directors.

Authorized Capital

Our Notice of Articles provide that our authorized capital consists of an unlimited number of Common Shares, without par value.

Rights, Preferences and Restrictions Attaching to Our Shares

The BCBCA provides the following rights, privileges, restrictions and conditions attaching to our Common Shares:

- to vote at meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;
- subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of our company, to share equally in the remaining property of our company on liquidation, dissolution or winding-up of our company; and
- the Common Shares are entitled to receive dividends if, as, and when declared by the Board of Directors.

The provisions in our Articles attaching to our Common Shares may be altered, amended, repealed, suspended or changed by the affirmative vote of the holders of not less than two-thirds of the outstanding Common Shares.

With the exception of special resolutions (i.e. resolutions in respect of fundamental changes to our company, including: the sale of all or substantially all of our assets, a merger or other arrangement or an alteration to our authorized capital that is not allowed by resolution of the directors) that require the approval of holders of two-thirds of the outstanding Common Shares entitled to vote at a meeting, either in person or by proxy, resolutions to approve matters brought before a meeting of our shareholders require approval by a simple majority of the votes cast by shareholders entitled to vote at a meeting, either in person or by proxy.

Shareholder Meetings

Part 10 of the Articles regulates the meetings of shareholders. Article 10.1 of the Articles provides that, unless an annual general meeting is deferred or waived in accordance with the BCBCA, an annual general meeting must be held at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by directors.

The notice for meetings of Shareholders is contemplated in Article10.4 of the Articles and provides that the Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in the Articles or in such other manner, if any, as may be prescribed by ordinary resolution, to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless the Articles otherwise provide, at least 21 days before the meeting. Article 10.5 provides that the directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders and entitled to vote at any meeting of shareholders, the record date must not precede the date on which the meeting is to be held by more than two months and at least 21 days before.

Generally, notice of a meeting of the shareholders called for any purpose other than consideration of the financial statements and any reports of the directors or auditor, the setting and changing of the number of directors, the election or appointment of directors and appointment of auditor, the setting of the remuneration of the auditor, shall state the general nature of the special business and if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders at our records office or such other reasonably accessible location in British Columbia.

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, a shareholder will not invalidate any proceedings at that meeting. A shareholder may in any manner waive notice of or otherwise consent to a meeting of shareholders.

LIMITATIONS ON RIGHTS OF NON-CANADIANS

Algernon is incorporated pursuant to the laws of the Province of British Columbia, Canada. There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to a non-resident holder of common shares, other than withholding tax requirements. Any such remittances to United States residents are generally subject to withholding tax, however no such remittances are likely in the foreseeable future. See the section titled "*Certain Canadian Federal Income Tax Considerations For United States Resident*" below.

There is no limitation imposed by Canadian law or by the charter or other constituent documents of our Company on the right of a non-resident to hold or vote common shares of our company. However, the Investment Canada Act (Canada) (the "Investment Act") has rules regarding certain acquisitions of shares by non-Canadians, along with other requirements under that legislation.

The following discussion summarizes the principal features of the Investment Act for a "non-Canadian" (as defined under the Investment Act) who proposes to acquire common shares of our Company. The discussion is general only; it is not a substitute for independent legal advice from an investor's own advisor; and it does not anticipate statutory or regulatory amendments.

The Investment Act is a federal statute of broad application regulating the establishment and acquisition of Canadian businesses by non-Canadians, including individuals, governments or agencies thereof, corporations, partnerships, trusts or joint ventures (each an "entity"). Investments by non-Canadians to acquire control over existing Canadian businesses or to establish new ones are either reviewable or notifiable under the Investment Act. If an investment by a non-Canadian to acquire control over an existing Canadian business is reviewable under the Investment Act, the Investment Act generally prohibits implementation of the investment unless, after review, the Minister of Innovation, Science and Economic Development Canada (the "Minister") is satisfied that the investment is likely to be of net benefit to Canada.

A non-Canadian would acquire control of our Company for the purposes of the Investment Act through the acquisition of common shares if the non-Canadian acquired a majority of the common shares of our Company.

Further, the acquisition of less than a majority but one-third or more of the common shares of our Company by a non-Canadian would be presumed to be an acquisition of control of our Company unless it could be established that, on the acquisition, our Company was not controlled in fact by the acquirer through the ownership of common shares.

For a direct acquisition that would result in an acquisition of control of our Company, subject to the exception for "WTO-investors" that are controlled by persons who are nationals or permanent residents of World Trade Organization ("WTO") member nations, a proposed investment generally would be reviewable where the value of the acquired assets is CAD$5 million or more.

For a proposed indirect acquisition by an investor other than a so-called WTO investor that would result in an acquisition of control of our Company through the acquisition of a non-Canadian parent entity, the investment generally would be reviewable where the value of the assets of the entity carrying on the Canadian business, and of all other entities in Canada, the control of which is acquired, directly or indirectly is CAD$50 million or more.

In the case of a direct acquisition by a "WTO investor", the threshold is significantly higher. An investment in common shares of our Company by a WTO investor that is not a state-owned enterprise would be reviewable only if it was an investment to acquire control of the company and the enterprise value of the assets of the company was equal to or greater than a specified amount, which is published by the Minister after its determination for any particular year. For 2021, this amount is CAD$1.043 billion (unless the investor is controlled by persons who are nationals or permanent residents of countries that are party to one of a list of certain free trade agreements, in which case the amount is CAD$1.565 billion for 2021); each January 1, both thresholds are adjusted by a GDP (Gross Domestic Product) based index.

The higher WTO threshold for direct investments and the exemption for indirect investments do not apply where the relevant Canadian business is carrying on a "cultural business". The acquisition of a Canadian business that is a "cultural business" is subject to lower review thresholds under the Investment Act because of the perceived sensitivity of the cultural sector.

In 2009, amendments were enacted to the Investment Act concerning investments that may be considered injurious to national security. If the Minister has reasonable grounds to believe that an investment by a non-Canadian "could be injurious to national security," the Minister may send the non-Canadian a notice indicating that an order for review of the investment may be made. The review of an investment on the grounds of national security may occur whether or not an investment is otherwise subject to review on the basis of net benefit to Canada or otherwise subject to notification under the Investment Act.

Certain transactions, except those to which the national security provisions of the Investment Act may apply, relating to Common Shares of the Company are exempt from the Investment Act, including:

(a) the acquisition of our Common Shares by a person in the ordinary course of that person's business as a trader or dealer in securities;

(b) the acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Act, if the acquisition is subject to approval under the *Bank Act*, *Cooperative Credit Associations Act*, the *Insurance Companies Act* or the *Trust and Loan Companies Act*; and

(c) the acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company through the ownership of Common Shares, remained unchanged.

MATERIAL INCOME TAX INFORMATION

Certain Canadian Federal Income Tax Considerations For United States Residents

The following is a summary of certain Canadian federal income tax considerations generally applicable to the holding and disposition of Common Shares and Warrants acquired by a purchaser of units pursuant to this offering who, at all relevant times, (a) for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") (i) is not resident, or deemed to be resident, in Canada, (ii) deals at arm's length with us, the underwriters and the Representative, and is not affiliated with us, the underwriters or the Representative, (iii) acquires units as purchaser and beneficial owner pursuant to this offering and acquires and holds such units, Common Shares and Warrants as capital property, (iv) does not use or hold the units, Common Shares or Warrants in the course of carrying on, or otherwise in connection with, a business carried on or deemed to be carried on in Canada, and (v) is not a "registered non-resident insurer" or "authorized foreign bank" (each as defined in the Tax Act), or other holder of special status, and (b) for the purposes of the Canada-U.S. Tax Convention (the "**Tax Treaty**"), is a resident of the United States, has never been a resident of Canada, does not have and has not had, at any time, a permanent establishment or fixed base in Canada, and who otherwise qualifies for the full benefits of the Tax Treaty. Holders who meet all the criteria in clauses (a) and (b) above are referred to herein as "**U.S. Holders**", and this summary only addresses such U.S. Holders.

This summary does not deal with special situations, such as the particular circumstances of traders or dealers, tax exempt entities, insurers or financial institutions, or other holders of special status or in special circumstances. Such holders, and all other holders who do not meet the criteria in clauses (a) and (b) above, should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, the regulations thereunder in force at the date hereof, the current provisions of the Tax Treaty, and our understanding of the administrative and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that any such Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that any such Proposed Amendments will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative or assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account tax laws of any province or territory of Canada or of any other jurisdiction outside Canada, which may differ significantly from those discussed in this summary.

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of our securities must generally be expressed in Canadian dollars. Amounts denominated in United States currency generally must be converted into Canadian dollars using the rate of exchange that is acceptable to the Canada Revenue Agency.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular U.S. Holder, and no representation with respect to the Canadian federal income tax consequences to any particular U.S. Holder or prospective U.S. Holder is made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, all prospective purchasers (including U.S. Holders as defined above) should consult with their own tax advisors for advice with respect to their own particular circumstances.

Exercise of Warrants

No gain or loss will be realized by a U.S. Holder on the exercise of a Warrant. When a Warrant is exercised, the U.S. Holder's cost of the Common Share acquired thereby will be the aggregate of the U.S. Holder's adjusted cost base of such Warrant for purposes of the Tax Act and the exercise price paid for the Common Share upon exercise of the Warrant. The U.S. Holder's adjusted cost base of the Common Share so acquired will be determined by averaging such cost with the adjusted cost base (as determined under the rules of the Tax Act) to the U.S. Holder of all Common Shares held by the U.S. Holder as capital property immediately prior to such acquisition.

Withholding Tax on Dividends

Amounts paid or credited or deemed to be paid or credited as, on account or in lieu of payment of, or in satisfaction of, dividends on our Common Shares to a U.S. Holder will be subject to Canadian withholding tax. The applicable rate of Canadian withholding tax on such dividends is 25% unless reduced by an applicable tax treaty. Under the Tax Treaty, the rate of Canadian withholding tax on dividends paid or credited by us to a U.S. Holder that beneficially owns such dividends and substantiates eligibility for the benefits of the Tax Treaty is generally 15% (unless the beneficial owner is a company that owns at least 10% of our voting stock at that time, in which case the rate of Canadian withholding tax is generally reduced to 5%).

Dispositions

In general terms, a U.S. Holder will not be subject to tax under the Tax Act on a capital gain realized on a disposition or deemed disposition of Warrants or Common Shares unless such Warrants or Common Shares are "taxable Canadian property" to the U.S. Holder for purposes of the Tax Act and the U.S. Holder is not entitled to relief under the Tax Treaty.

If and provided that the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE and Nasdaq Capital Market) at the time of disposition or deemed disposition, the Common Shares and Warrants generally will not constitute "taxable Canadian property" of a U.S. Holder at that time unless, at any time during the 60 month period immediately preceding the disposition or deemed disposition, the following two conditions were met: (i) the U.S. Holder, persons with whom the U.S. Holder did not deal at arm's length, partnerships in which the U.S. Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the U.S. Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of our company; and (ii) more than 50% of the fair market value of the Common Shares of the company was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or options in respect of, or interests in, or for civil law rights in, property described in any of the foregoing whether or not the property exists. Notwithstanding the foregoing, in certain other circumstances set out in the Tax Act, Common Shares or Warrants could also be deemed to be "taxable Canadian property".

U.S. Holders who may hold Common Shares or Warrants as "taxable Canadian property" should consult their own tax advisors with respect to the application of Canadian capital gains taxation, any potential relief under the Tax Treaty, and Canadian tax compliance procedures under the Tax Act, none of which is described in this summary.

Material United States Federal Income Tax Considerations

The following is a general summary of certain U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of units acquired pursuant to this offering, the acquisition, ownership, and disposition of Common Shares acquired as part of the units, the exercise, disposition, and lapse of Warrants acquired as part of the units, and the acquisition, ownership, and disposition of Common Shares received upon exercise of the Warrants (the "**Warrant Shares**").

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the acquisition of units pursuant to this Offering. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any particular U.S. Holder. This summary does not address the U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of units, Common Shares, Warrants and Warrant Shares. This summary also does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of units, Common Shares, Warrants, and Warrant Shares.

No opinion from legal counsel or ruling from the Internal Revenue Service (the "**IRS**") has been requested, or will be obtained, regarding the U.S. federal income tax considerations applicable to U.S. Holders as discussed in this summary. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations (whether final, temporary, or proposed) promulgated under the Code, published rulings of the IRS, published administrative positions of the IRS and U.S. court decisions, that are in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied retroactively. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holder

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of units, Common Shares, Warrants or Warrant Shares acquired pursuant to this offering that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Transactions Not Addressed

This summary does not address the tax consequences of transactions effected prior or subsequent to, or concurrently with, any purchase of units pursuant to this prospectus (whether or not any such transactions are undertaken in connection with the purchase of units pursuant to this prospectus).

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are brokers or dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) have a "functional currency" other than the U.S. dollar; (e) own units, Common Shares, Warrants or Warrant Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other integrated transaction; (f) acquired units, Common Shares, Warrants or Warrant Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold units, Common Shares, Warrants or Warrant Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) are partnerships and other pass-through entities (and investors in such partnerships and entities); (i) are subject to special tax accounting rules; (j) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of our outstanding shares; (k) are U.S. expatriates or former long-term residents of the U.S.; or (l) are subject to taxing jurisdictions other than, or in addition to, the United States. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of units, Common Shares, Warrants or Warrant Shares.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds units, Common Shares, Warrants or Warrant Shares, the U.S. federal income tax consequences to such entity or arrangement and the owners of such entity or arrangement generally will depend on the activities of such entity or arrangement and the status of such owners. This summary does not address the tax consequences to any such entity or arrangement or owner. Owners of entities or arrangements that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisor regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of units, Common Shares, Warrants and Warrant Shares.

U.S. Federal Income Tax Consequences of the Acquisition of Units

For U.S. federal income tax purposes, the acquisition by a U.S. Holder of a unit will be treated as the acquisition of one Common Share and [●] of a Warrant. The purchase price for each unit will be allocated between these two components in proportion to their relative fair market values at the time the unit is purchased by the U.S. Holder. This allocation of the purchase price for each unit will establish a U.S. Holder's initial tax basis for U.S. federal income tax purposes in the Common Share and one-half of a Warrant that comprise each unit.

For this purpose, we will allocate $[●] of the purchase price for the unit to the Common Share and $[●] of the purchase price for each unit to the [●] of a Warrant. However, the IRS will not be bound by such allocation of the purchase price for the units, and therefore, the IRS or a U.S. court may not respect the allocation set forth above. Each U.S. Holder should consult its own tax advisor regarding the allocation of the purchase price for the units.

Passive Foreign Investment Company Rules

If we are considered a "passive foreign investment company" within the meaning of Section 1297 of the Code (a "**PFIC**") at any time during a U.S. Holder's holding period, the following sections will generally describe the potentially adverse U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of units, Common Shares, Warrants or Warrant Shares.

Based on current business plans and financial expectations, we anticipate that we may be a PFIC for the current tax year and future tax years. No opinion of legal counsel or ruling from the IRS concerning our status as a PFIC has been obtained or is currently planned to be requested. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, our PFIC status for the current year and future years cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any PFIC determination made by us (or by one of our subsidiaries). Each U.S. Holder should consult its own tax advisor regarding our status as a PFIC and the PFIC status of each or our non-U.S. subsidiaries.

In any year in which we are classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. In addition to penalties, a failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

We generally will be a PFIC for any tax year in which (a) 75% or more of our gross income for such tax year is passive income (the "**PFIC income test**") or (b) 50% or more of the value of our assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the "**PFIC asset test**"). "Gross income" generally includes sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business, or supplies regularly used or consumed in the ordinary course of its trade or business, and certain other requirements are satisfied.

For purposes of the PFIC income test and PFIC asset test described above, if we own, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, we will be treated as if we (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and PFIC asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by us from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if we are a PFIC, U.S. Holders will be deemed to own their proportionate share of any of our subsidiaries which is also a PFIC (a **Subsidiary PFIC**"), and will generally be subject to U.S. federal income tax under the "Default PFIC Rules Under Section 1291 of the Code" discussed below on their proportionate share of any (i) distribution on the shares of a Subsidiary PFIC and (ii) disposition or deemed disposition of shares of a Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. Accordingly, U.S. Holders should be aware that they could be subject to tax under the PFIC rules even if no distributions are received and no redemptions or other dispositions of units, Common Shares, Warrants or Warrant Shares are made. In addition, U.S. Holders may be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale or disposition of units, Common Shares, Warrants or Warrant Shares.

Default PFIC Rules Under Section 1291 of the Code

If we are a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the purchase of units and the acquisition, ownership, and disposition of Common Shares, Warrants and Warrant Shares will depend on whether such U.S. Holder makes a "qualified electing fund" or "QEF" election (a "**QEF Election**") or makes a mark-to-market election under Section 1296 of the Code (a "**Mark-to-Market Election**") with respect to Common Shares or Warrant Shares. A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election (a "Non-Electing U.S. Holder") will be taxable as described below.

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of Common Shares, Warrants and Warrant Shares and (b) any excess distribution received on the Common Shares and Warrant Shares. A distribution generally will be an "excess distribution" to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder's holding period for the Common Shares and Warrant Shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Common Shares, Warrants and Warrant Shares of a PFIC (including an indirect disposition of shares of a Subsidiary PFIC), and any excess distribution received on such Common Shares and Warrant Shares (or a distribution by a Subsidiary PFIC to its shareholder that is deemed to be received by a U.S. Holder) must be ratably allocated to each day in a Non-Electing U.S. Holder's holding period for the Common Shares or Warrant Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income (and not eligible for certain preferential tax rates, as discussed below). The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as "personal interest," which is not deductible.

If we are a PFIC for any tax year during which a Non-Electing U.S. Holder holds Common Shares, Warrant Shares or Warrants, we will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether we cease to be a PFIC in one or more subsequent tax years. If we cease to be a PFIC, a Non-Electing U.S. Holder may terminate this deemed PFIC status with respect to Common Shares and Warrant Shares by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code as discussed above) as if such Common Shares and Warrant Shares were sold on the last day of the last tax year for which we were a PFIC. No such election, however, may be made with respect to the Warrants.

Under proposed Treasury Regulations, if a U.S. Holder has an option, warrant, or other right to acquire stock of a PFIC (such as the Warrants), such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code. Under rules described below, the holding period for the Warrant Shares will begin on the date a U.S. Holder acquires the units. This will impact the availability of the QEF Election and Mark-to-Market Election with respect to the Warrant Shares. Thus, a U.S. Holder will have to account for Warrant Shares and Common Shares under the PFIC rules and the applicable elections differently.

QEF Election

A U.S. Holder that makes a QEF Election for the first tax year in which its holding period of its Common Shares begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its Common Shares. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) our net capital gain, which will be taxed as long-term capital gain to such U.S. Holder, and (b) our ordinary earnings, which will be taxed as ordinary income to such U.S. Holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which we are a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by us. However, for any tax year in which we are a PFIC and have no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. Holder that makes a timely QEF Election generally (a) may receive a tax-free distribution from us to the extent that such distribution represents "earnings and profits" that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the Common Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Common Shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" for purposes of avoiding the default PFIC rules discussed above if such QEF Election is made for the first year in the U.S. Holder's holding period for the Common Shares in which we were a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, we cease to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which we are not a PFIC. Accordingly, if we become a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which we qualify as a PFIC.

As discussed above, under proposed Treasury Regulations, if a U.S. Holder has an option, warrant or other right to acquire stock of a PFIC (such as the Warrants), such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code. However, a U.S. Holder of an option, warrant or other right to acquire stock of a PFIC may not make a QEF Election that will apply to the option, warrant or other right to acquire PFIC stock. In addition, under proposed Treasury Regulations, if a U.S. Holder holds an option, warrant or other right to acquire stock of a PFIC, the holding period with respect to shares of stock of the PFIC acquired upon exercise of such option, warrant or other right will include the period that the option, warrant or other right was held.

Consequently, under the proposed Treasury Regulations, if a U.S. Holder of Common Shares makes a QEF Election, such election generally will not be treated as a timely QEF Election with respect to Warrant Shares and the rules of Section 1291 of the Code discussed above will continue to apply with respect to such U.S. Holder's Warrant Shares. However, a U.S. Holder of Warrant Shares should be eligible to make a timely QEF Election if such U.S. Holder makes a "purging" or "deemed sale" election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such Warrant Shares were sold for fair market value. As a result of the "purging" or "deemed sale" election, the U.S. Holder will have a new basis and holding period in the Warrant Shares acquired upon the exercise of the Warrants for purposes of the PFIC rules. In addition, gain recognized on the sale or other taxable disposition (other than by exercise) of the Warrants by a U.S. Holder will be subject to the rules of Section 1291 of the Code discussed above. Each U.S. Holder should consult its own tax advisor regarding the application of the PFIC rules to the units, Common Shares, Warrants, and Warrant Shares.

For each tax year that we qualify as a PFIC as determined by us based on our reasonable analysis, upon the written request of a U.S. Holder, we will make publicly available: (a) a "PFIC Annual Information Statement" as described in Treasury Regulation Section 1.1295-1(g) (or any successor Treasury Regulation) and (b) all information and documentation that a U.S. Holder is required to obtain for U.S. federal income tax purposes in making a QEF Election with respect to us. We may elect to provide such information on our website. However, U.S. Holders should be aware that we can provide no assurances that we will provide any such information relating to any Subsidiary PFIC and as a result, a QEF Election may not be available with respect to any Subsidiary PFIC. Because we may own shares in one or more Subsidiary PFICs at any time, U.S. Holders will continue to be subject to the rules discussed above with respect to the taxation of gains and excess distributions with respect to any Subsidiary PFIC for which the U.S. Holders do not obtain such required information. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election with respect to us and any Subsidiary PFIC.

A U.S. Holder makes a QEF Election by attaching a completed IRS Form 8621, including a PFIC Annual Information Statement, to a timely filed U.S. federal income tax return. However, if we do not provide the required information with regard to us or any of our Subsidiary PFICs, U.S. Holders will not be able to make a QEF Election for such entity and will continue to be subject to the rules of Section 1291 of the Code discussed above that apply to Non-Electing U.S. Holders with respect to the taxation of gains and excess distributions.

Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election with respect to Common Shares and Warrant Shares only if the Common Shares and Warrant Shares are marketable stock. The Common Shares and Warrant Shares generally will be "marketable stock" if the Common Shares and Warrant Shares are regularly traded on (a) a national securities exchange that is registered with the SEC, (b) the national market system established pursuant to Section 11A of the U.S. Exchange Act or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be considered "regularly traded" for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Provided that the Common Shares and Warrant Shares are "regularly traded" as described in the preceding sentence, the Common Shares and Warrant Shares are expected to be marketable stock. We believe that our common shares were "regularly traded" in the fourth calendar quarter of 2021 and expect that the Common Shares should be "regularly traded" in the first calendar quarter of 2022. However, there can be no assurance that the Common Shares will be "regularly traded" in subsequent calendar quarters. U.S. Holders should consult their own tax advisors regarding the marketable stock rules.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Common Shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such Common Shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for the Common Shares and such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the Common Shares.

Any Mark-to-Market Election made by a U.S. Holder for the Common Shares will also apply to such U.S. Holder's Warrant Shares. As a result, if a Mark-to-Market Election has been made by a U.S. Holder with respect to Common Shares, any Warrant Shares received will automatically be marked-to-market in the year of exercise. Because, under the proposed Treasury Regulations, a U.S. Holder's holding period for Warrant Shares includes the period during which such U.S. Holder held the Warrants, a U.S. Holder will be treated as making a Mark-to-Market Election with respect to its Warrant Shares after the beginning of such U.S. Holder's holding period for the Warrant Shares unless the Warrant Shares are acquired in the same tax year as the year in which the U.S. Holder acquired its units. Consequently, the default rules under Section 1291 described above generally will apply to the mark-to-market gain realized in the tax year in which Warrant Shares are received upon the exercise of the Warrants. However, the general mark-to-market rules will apply to subsequent tax years.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which we are a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares and any Warrant Shares, as of the close of such tax year over (b) such U.S. Holder's tax basis in the Common Shares and any Warrant Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the Common Shares and any Warrant Shares, over (ii) the fair market value of such Common Shares and any Warrant Shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the Common Shares and Warrant Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of Common Shares and Warrant Shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

A U.S. Holder makes a Mark-to-Market Election by attaching a completed IRS Form 8621 to a timely filed U.S. federal income tax return. A timely Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Common Shares and Warrant Shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the Common Shares and Warrant Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge and other income inclusion rules described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC to its shareholder.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Common Shares and Warrant Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Common Shares, Warrants, or Warrant Shares are transferred.

If finalized in their current form, the proposed Treasury Regulations applicable to PFICs would be effective for transactions occurring on or after April 1, 1992. Because the proposed Treasury Regulations have not yet been adopted in final form, they are not currently effective, and there is no assurance that they will be adopted in the form and with the effective date proposed. Nevertheless, the IRS has announced that, in the absence of final Treasury Regulations, taxpayers may apply reasonable interpretations of the Code provisions applicable to PFICs and that it considers the rules set forth in the proposed Treasury Regulations to be reasonable interpretations of those Code provisions. The PFIC rules are complex, and the implementation of certain aspects of the PFIC rules requires the issuance of Treasury Regulations which in many instances have not been promulgated and which, when promulgated, may have retroactive effect. U.S. Holders should consult their own tax advisors about the potential applicability of the proposed Treasury Regulations.

Certain additional adverse rules will apply with respect to a U.S. Holder if we are a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. Holder that uses Common Shares, Warrants or Warrant Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Common Shares, Warrants or Warrant Shares.

In addition, a U.S. Holder who acquires Common Shares, Warrants or Warrant Shares from a decedent will not receive a "step up" in tax basis of such Common Shares, Warrants or Warrant Shares to fair market value.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with their own tax advisor regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules (including the applicability and advisability of a QEF Election and Mark-to-Market Election) and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares, Warrants and Warrant Shares.

U.S. Federal Income Tax Consequences of the Exercise and Disposition of Warrants

The following discussion describes the general rules applicable to the ownership and disposition of the Warrants but is subject in its entirety to the special rules described above under the heading "Passive Foreign Investment Company Rules."

Exercise of Warrants

A U.S. Holder should not recognize gain or loss on the exercise of a Warrant and related receipt of a Warrant Share (unless cash is received in lieu of the issuance of a fractional Warrant Share). A U.S. Holder's initial tax basis in the Warrant Share received on the exercise of a Warrant should be equal to the sum of (a) such U.S. Holder's tax basis in such Warrant plus (b) the exercise price paid by such U.S. Holder on the exercise of such Warrant. It is unclear whether a U.S. Holder's holding period for the Warrant Share received on the exercise of a Warrant would commence on the date of exercise of the Warrant or the day following the date of exercise of the Warrant. If we are a PFIC, a U.S. Holder's holding period for the Warrant Share for PFIC purposes will begin on the date on which such U.S. Holder acquired its units.

Disposition of Warrants

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a Warrant in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the Warrant sold or otherwise disposed of. Subject to the PFIC rules discussed above, any such gain or loss generally will be a capital gain or loss, which will be long-term capital gain or loss if the Warrant is held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Expiration of Warrants Without Exercise

Upon the lapse or expiration of a Warrant, a U.S. Holder will recognize a loss in an amount equal to such U.S. Holder's tax basis in the Warrant. Any such loss generally will be a capital loss and will be long-term capital loss if the Warrants are held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Certain Adjustments to the Warrants

Under Section 305 of the Code, an adjustment to the number of Warrant Shares that will be issued on the exercise of the Warrants, or an adjustment to the exercise price of the Warrants, may be treated as a constructive distribution to a U.S. Holder of the Warrants if, and to the extent that, such adjustment has the effect of increasing such U.S. Holder's proportionate interest in the "earnings and profits" or our assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to the shareholders). Adjustments to the exercise price of Warrants made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the holders of the Warrants should generally not be considered to result in a constructive distribution. Any such constructive distribution would be taxable whether or not there is an actual distribution of cash or other property. (See more detailed discussion of the rules applicable to distributions made by us at "Distributions on Common Shares and Warrant Shares" below).

General Rules Applicable to U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares and Warrant Shares

The following discussion describes the general rules applicable to the ownership and disposition of the Common Shares and Warrant Shares, but is subject in its entirety to the special rules described above under the heading "Passive Foreign Investment Company Rules."

Distributions on Common Shares and Warrant Shares

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share or Warrant Share (as well as any constructive distribution on a Warrant as described above) will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of our current and accumulated "earnings and profits", as computed under U.S. federal income tax principles. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if we are a PFIC for the tax year of such distribution or the preceding tax year. To the extent that a distribution exceeds our current and accumulated "earnings and profits", such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares or Warrant Shares and thereafter as gain from the sale or exchange of such Common Shares or Warrant Shares (see "Sale or Other Taxable Disposition of Common Shares and/or Warrant Shares" below). However, we may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may be required to assume that any distribution by us with respect to the Common Shares or Warrant Shares will constitute ordinary dividend income. Dividends received on Common Shares or Warrant Shares generally will not be eligible for the "dividends received deduction" generally applicable to corporations. Subject to applicable limitations and provided we are eligible for the benefits of the Tax Treaty or the Common Shares are readily tradable on a United States securities market, dividends paid by us to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that we not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares and/or Warrant Shares

Upon the sale or other taxable disposition of Common Shares or Warrant Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such Common Shares or Warrant Shares sold or otherwise disposed of. Gain or loss recognized on such sale or other taxable disposition generally will be long-term capital gain or loss if, at the time of the sale or other taxable disposition, the Common Shares or Warrant Shares have been held for more than one year. Preferential tax rates may apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Additional Tax Considerations

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency or on the sale, exchange or other taxable disposition of Common Shares, Warrants or Warrant Shares generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in foreign currency and engages in a subsequent conversion or other disposition of the foreign currency may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares or Warrant Shares (or with respect to any constructive dividend on the Warrants) generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid or accrued (whether directly or through withholding) by a U.S. Holder during a year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

Information Reporting; Backup Withholding Tax

Under U.S. federal income tax laws certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person. U. S. Holders may be subject to these reporting requirements unless their Common Shares, Warrants, and Warrant Shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the requirements of filing information returns, including the requirement to file IRS Form 8938.

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of the Common Shares, Warrants and Warrant Shares generally may be subject to information reporting and backup withholding tax, currently at the rate of 24%, if a U.S. Holder (a) fails to furnish its correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that it has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons, such as U.S. Holders that are corporations, generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax and, under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF COMMON SHARES, WARRANTS AND WARRANT SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

UNDERWRITING

In connection with this offering, we will enter into an underwriting agreement, dated as of [●], 2022 with Ladenburg Thalmann & Co. Inc., as representative (the "**Representative**") of the underwriters in this offering. Each underwriter named below has severally agreed to purchase from us, on a firm commitment basis, the number of units set forth opposite its name below, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Name of Underwriter	Number of Units
Ladenburg Thalmann & Co. Inc.	[●]
Total	**[●]**

The underwriters are committed to purchase all the units offered by this prospectus if they purchase any units. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated. The underwriters are not obligated to purchase the Common Shares and/or Warrants covered by the underwriters' over-allotment option to purchase Common Shares and/or Warrants described below. The underwriters are offering the units, Common Shares and Warrants, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have been advised by the underwriters that they propose to offer the units directly to the public at the public offering price set forth on the cover page of this prospectus. Any securities sold by the underwriters to securities dealers will be sold at the public offering price less a selling concession not in excess of $[●] per Common Share and $[●] per Warrant.

Over-Allotment Option

We have granted to the underwriters a [●]-day option to purchase up to an aggregate of [●] additional Common Shares and/or additional [●] Warrants to purchase up to [●] Common Shares (equal to 15.0% of the number of Common Shares and Warrants underlying the units sold in the offering), in any combination thereof, at the public offering price per share and per Warrant, respectively, less underwriting discounts and commissions. The underwriters may exercise this option for [●] days from the date of this prospectus solely to cover over-allotments, if any. If any of the additional Common Shares and/or Warrants are purchased, the underwriters will offer the additional Common Shares and/or Warrants on the same terms as those on which the other securities are being offered.

Discounts and Commissions

The underwriters propose initially to offer the units to the public at the public offering price set forth on the cover page of this prospectus. If all of the units offered by us are not sold at the public offering price, the underwriters may change the offering price and other selling terms by means of a supplement to this prospectus.

We will pay the underwriters a success fee of 8.0% for the total gross proceeds of the offering.

The following table shows the public offering price, underwriting discounts, and proceeds, before expenses, to us. The information assumes either no exercise or full exercise of the over-allotment option to purchase Common Shares and/or Warrants we granted to the Representative of the underwriters.

	Per Unit	Total Without Over-Allotment Option	Total With Full Over-Allotment Option
Public offering price	US$[●]	US$[●]	US$[●]
Underwriting discount	US$[●]	US●]	US $[●]
Proceeds, before expenses, to us	US$[●]	US$[●]	US$[●]

We have agreed to pay the underwriters a cash fee equal to 8.0% of the aggregate gross proceeds. We have also agreed to pay the Representative a management fee equal to 1.0% of the gross proceeds of the offering.

In addition, we have agreed to pay the Representative an expense allowance of up to $100,000. We estimate the total expenses payable by us for this offering to be approximately $[●], which amount includes (i) the underwriting discount of $● ($● if the underwriters' over-allotment option is exercised in full), (ii) the management fee of 1.0% of the gross proceeds of the offering, (iii) the reimbursement of the expenses of the Representative equal to $100,000 including the legal fees of the Representative being paid by us and (iv) other estimated company expenses of approximately $[●], which includes legal, accounting, printing costs and various fees associated with the registration of our securities.

We have also agreed to issue to the Representative Compensation Warrants to purchase up to a total of Common Shares equal to 5.0% of the Common Shares included in the units sold in the offering. The Compensation Warrants will be immediately exercisable from the date of issuance at a price per share equal to $US[●] and will expire [●] years from the commencement of sales of the offering. Pursuant to FINRA Rule 5110(e), the Compensation Warrants and any common shares issued upon exercise of the Compensation Warrants shall not be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of commencement of sales of this offering, except the transfer of any security: (i) by operation of law or by reason of reorganization of the issuer; (ii) to any FINRA member firm participating in the offering and the officers, partners, registered persons or affiliates thereof, if all securities so transferred remain subject to the lock-up restriction set forth above for the remainder of the time period; (iii) if the aggregate amount of our securities held by the Representative or related persons does not exceed 1% of the securities being offered; (iv) that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund and the participating members in the aggregate do not own more than 10% of the equity in the fund; (v) the exercise or conversion of any security, if all securities remain subject to the lock-up restriction set forth above for the remainder of the time period; (vi) if we meet the registration requirements of Forms S-3, F-3 or F-10; or (vii) back to us in a transaction exempt from registration with the SEC. The Compensation Warrants and the Common Shares underlying the Compensation Warrants are being registered hereby.

Discretionary Accounts

The underwriters do not intend to confirm sales of the securities offered hereby to any accounts over which they have discretionary authority.

Lock-Up Agreements

Pursuant to "lock-up" agreements, we, our executive officers and directors, and certain of our stockholders, have agreed, without the prior written consent of the Representative, not to directly or indirectly, offer to sell, sell, pledge or otherwise transfer or dispose of any of shares of (or enter into any transaction or device that is designed to, or could be expected to, result in the transfer or disposition by any person at any time in the future of) our Common Shares, enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of shares of our Common Shares, make any demand for or exercise any right or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any shares of Common Shares or securities convertible into or exercisable or exchangeable for Common Shares or any other securities of the Company or publicly disclose the intention to do any of the foregoing, subject to customary exceptions, for a period of [●] days from the date of this prospectus.

Right of First Refusal

We have granted the Representative a right of first refusal, for a period of 12 months from the closing of this offering, to act as sole and exclusive investment banker, book-runner, financial advisor, underwriter and/or placement agent, at the Representative's sole and exclusive discretion, for each and every future public and private equity and debt offering in the United States requiring an investment banker or placement agent, including all equity linked financings (each, a "**Subject Transaction**") of the Company, or any successor to or subsidiary of the Company, on terms and conditions customary to the Representative for such Subject Transaction.

We shall pay the Representative the cash and warrant compensation provided above on the gross proceeds provided to us by investors that participated in this offering or were introduced to us by the Representative or which we met during our engagement of the Representative in any public or private offering or capital-raising transaction within 12 months following the expiration or termination of our engagement with the Representative.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Shares is AST Trust Company (Canada), located at 1066, West Hasting Street, Suite 1600, Vancouver, British Columbia, V6E 2X1 and its telephone number is 1-888-44--0055

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act and the Exchange Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

CSE, XBFR and OTCQB Marketplace and Nasdaq Capital Market

Our Common Shares are currently quoted on the CSE, XBFR and OTCQB Marketplace under the symbols "AGN", "AGW" and "AGNPF", respectively.

We intend on applying to have our Common Shares and Warrants included in the units listed on the Nasdaq Capital Market under the symbols "[●]" and "[●]", respectively. Our application might not be approved. There is no established public trading market for the Warrants included in the units, and such a market might never develop. The successful listing of our Common Shares and Warrants on the Nasdaq Capital Market is a condition of this offering.

Price Stabilization, Short Positions and Penalty Bids

In order to facilitate the offering of our securities, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our securities. In connection with the offering, the underwriters may purchase and sell our securities in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares of securities than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional securities in the offering. The underwriters may close out any covered short position by either exercising the over-allotment option to purchase Common Shares and/or Warrants or purchasing securities in the open market. In determining the source of securities to close out the covered short position, the underwriters will consider, among other things, the price of securities available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option to purchase Common Shares and/or Warrants. "Naked" short sales are sales in excess of the over-allotment option to purchase Common Shares and/or Warrants. The underwriters must close out any naked short position by purchasing securities in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our securities in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of securities made by the underwriters in the open market before the completion of the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our securities or preventing or retarding a decline in the market price of our securities. As result, the price of our securities may be higher than the price that might otherwise exist in the open market.

The underwriters have advised us that, pursuant to Regulation M under the Exchange Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of our securities, including the imposition of penalty bids. This means that if the representative of the underwriters purchases securities in the open market in stabilizing transactions or to cover short sales, the representative can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

The underwriters make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our securities. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Securities

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares of securities to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representative to underwriters and selling group members that may make internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' websites and any information contained in any other website maintained by the underwriters is not part of this prospectus or the registration statement of which this prospectus forms a part.

Other Relationships

From time to time, certain of the underwriters and their affiliates may provide in the future, various advisory, investment and commercial banking and other services to us in the ordinary course of business, for which they will receive customary fees and commissions. However, except as disclosed in this prospectus, we have no present arrangements with any of the underwriters for any further services.

Pricing of the Offering

The public offering price was determined by negotiations between us and the Representative. Among the factors considered in determining the public offering price were our future prospects and those of our industry in general, our sales, earnings, share price as quoted on the OTCQB and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours. Neither we nor the underwriters can assure investors that an active trading market for the Common Shares or the Warrants will develop, or that after the offering the shares will trade in the public market at or above the public offering price.

Offer Restrictions Outside the United States

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to this offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Australia

This prospectus is not a disclosure document under Chapter 6D of the Australian Corporations Act, has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act. Accordingly, (i) the offer of the securities under this prospectus is only made to persons to whom it is lawful to offer the securities without disclosure under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in section 708 of the Australian Corporations Act, (ii) this prospectus is made available in Australia only to those persons as set forth in clause (i) above, and (iii) the offeree must be sent a notice stating in substance that by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (i) above, and, unless permitted under the Australian Corporations Act, agrees not to sell or offer for sale within Australia any of the securities sold to the offeree within 12 months after its transfer to the offeree under this prospectus.

Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriter is not required to comply with the disclosure requirements of NI33-105 regarding underwriter conflicts of interest in connection with this offering.

China

The information in this document does not constitute a public offer of the securities, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The securities may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

European Economic Area

In relation to each Member State of the European Economic Area (each a "Relevant State"), no shares have been offered or will be offered pursuant to the offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that it may make an offer to the public in that Relevant State of any shares at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of representatives for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the shares shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("**AMF**"). The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the securities have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2 and D.411-1 to D.411-3, D. 744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (cercle restreint d'investisseurs) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the securities cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

The common shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") of Hong Kong and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong) (the "CO") or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation or document relating to the common shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to common shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the "Prospectus Regulations"). The securities have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to (i) qualified investors as defined in Regulation 2(l) of the Prospectus Regulations and (ii) fewer than 100 natural or legal persons who are not qualified investors.

Israel

The securities offered by this prospectus have not been approved or disapproved by the Israeli Securities Authority ("**ISA**"), nor have such securities been registered for sale in Israel. The shares may not be offered or sold, directly or indirectly, to the public in Israel, absent the publication of a prospectus. The ISA has not issued permits, approvals or licenses in connection with this offering or publishing the prospectus; nor has it authenticated the details included herein, confirmed their reliability or completeness, or rendered an opinion as to the quality of the securities being offered. Any resale in Israel, directly or indirectly, to the public of the securities offered by this prospectus is subject to restrictions on transferability and must be effected only in compliance with the Israeli securities laws and regulations.

Italy

The offering of the securities in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, "CONSOB") pursuant to the Italian securities legislation and, accordingly, no offering material relating to the securities may be distributed in Italy and such securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998 ("**Decree No. 58**"), other than:

- to Italian qualified investors, as defined in Article 100 of Decree no. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999 ("**Regulation no. 1197l**") as amended ("**Qualified Investors**"); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971 as amended.

Any offer, sale or delivery of the securities or distribution of any offer document relating to the securities in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the securities in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971 as amended, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the entity transferring the securities for any damages suffered by the investors.

Japan

The securities have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires securities may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of securities is conditional upon the execution of an agreement to that effect.

Portugal

This document is not being distributed in the context of a public offer of financial securities (oferta pública de valores mobiliários) in Portugal, within the meaning of Article 109 of the Portuguese Securities Code (Código dos Valores Mobiliários). The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in Portugal. This document and any other offering material relating to the securities have not been, and will not be, submitted to the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários) for approval in Portugal and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in Portugal, other than under circumstances that are deemed not to qualify as a public offer under the Portuguese Securities Code. Such offers, sales and distributions of securities in Portugal are limited to persons who are "qualified investors" (as defined in the Portuguese Securities Code). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the securities be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of securities in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**"SIX"**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering material relating to the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

United Arab Emirates

Neither this document nor the securities have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates, nor have we received authorization or licensing from the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates to market or sell the securities within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. We may not render services relating to the securities within the United Arab Emirates, including the receipt of applications and/or the allotment or redemption of such shares.

No offer or invitation to subscribe for securities is valid or permitted in the Dubai International Financial Centre.

United Kingdom

In relation to the United Kingdom, no shares have been offered or will be offered pursuant to this offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the shares that either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, except that offers of shares may be made to the public in the United Kingdom at any time under the following exemptions under the UK Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of representatives for any such offer; or

(c) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000 (the "FSMA"),

provided that no such offer of the shares shall require the Issuer or any representative to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

In addition, this prospectus is only being distributed to, and is only directed at, and any investment or investment activity to which this prospectus relates is available only to, and will be engaged in only with, persons who are outside the United Kingdom or persons in the United Kingdom (i) having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this prospectus and should not act or rely on it.

EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding placement discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the FINRA filing fee and the Nasdaq Capital Market listing fee, all amounts are estimates.

Securities and Exchange Commission Registration Fee	US$[●]
Nasdaq Capital Market Listing Fee	US$[●]
FINRA	US$[●]
Legal Fees and Expenses	US$[●]
Accounting Fees and Expenses	US$[●]
Printing and Engraving Expenses	US$[●]
Miscellaneous Expenses	US$[●]
Total Expenses	US$[●]

Under the Underwriting Agreement, we will pay our underwriters a fee and commission equal to 8.0% for the total gross proceeds of the offering. In addition to the cash commission, we will also pay a management fee to the Representative equal to 1.0% of the gross proceeds of the offering, up to $100,000 of the expenses of the Representative, and other estimated company expenses of approximately $[●], which includes legal, accounting, printing costs and various fees associated with the registration of our securities.

LEGAL MATTERS

McMillan LLP is acting as counsel to our company regarding Canadian and U.S. securities law matters. The current address of McMillan LLP is, Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Ellenoff Grossman & Schole LLP is acting as counsel to the underwriters. Their current address is 1345 Avenue of the Americas, 11th Floor, New York, New York 10105.

EXPERTS

The financial statements of Algernon Pharmaceuticals Inc. as of August 31, 2021 and 2020, and for the years respectively then ended included in this prospectus and registration statement have been so included in reliance on the report of Smythe LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing. Smythe LLP has offices at Suite 1700, 475 Howe Street, Vancouver, British Columbia, Canada, V6C 2B3. Their telephone number is (604) 687-1231.

INTERESTS OF EXPERTS AND COUNSEL

None of the named experts or legal counsel was employed on a contingent basis, owns an amount of shares in our company which is material to that person, or has a material, direct or indirect economic interest in our company or that depends on the success of the offering.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to the Common Shares and Warrants offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits thereto, to which reference is hereby made. With respect to each contract, agreement or other document filed as an exhibit to the registration statement, reference is made to such exhibit for a more complete description of the matter involved. The registration statement and the exhibits thereto filed by us with the SEC may be inspected at the public reference facility of the SEC listed below.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the *Exchange Act.*

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Annual Financial Statements for the Years Ended August 31, 2021 and 2020

ALGERNON PHARMACEUTICALS INC.

Consolidated Financial Statements

For the years ended August 31, 2021 and 2020
(Expressed in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Algernon Pharmaceuticals Inc. (the "Company") are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

"Christopher Moreau" (signed)
Christopher Moreau
Director and Chief Executive Officer

"David Levine" (signed)
David Levine
Director

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Algernon Pharmaceuticals Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Algernon Pharmaceuticals Inc. and its subsidiaries (the "Company") as of August 31, 2021 and 2020, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows, for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of this critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Intangible Assets

As discussed in Note 8 to the consolidated financial statements, the Company's intangible asset balance was $5,170,871 as of August 31, 2021. At each reporting date, management conducts an intangible asset impairment assessment. Management assesses certain criteria, including observable decreases in value, significant changes with adverse effects on the entity, evidence of technological obsolescence and future plans. If required, impairment is then recognized by comparing the recoverable value of the reporting unit to which the intangible asset belongs to its carrying value. Recoverable value amounts are estimated by management using a net market capitalization approach, as the discounted cash flow model is not viable for intangible assets that are not yet generating cash flows. The estimated recoverable value exceeds the carrying amount as at August 31, 2021, therefore, the Company did not record an impairment charge in the reporting unit.

We identified the valuation of intangible assets as a critical audit matter. There is a significant judgement required by management in developing the estimate of the recoverable value of the reporting unit and a high degree of auditor judgment was required to evaluate the recoverable value of these assets. Further, the sensitivity of reasonably possible changes to those assumptions could have a significant impact on the determination of the recoverable amount and the Company's assessment of impairment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the reasonableness of the Company's estimate of future performance of these intangible assets by reviewing market data and through discussions with operational personnel, including discussions regarding the planning business initiatives and current plans for commercialization of these intangible assets.

/s/ Smythe LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2015.

Vancouver, Canada
December 14, 2021

ALGERNON PHARMACEUTICALS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	August 31, 2021	August 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	*4*	$ 2,411,163	$ 6,121,424
Accounts receivable	*4,5*	2,294,882	1,229,453
Prepaid expenses	*6*	203,216	387,348
Total current assets		4,909,261	7,738,225
Non-current assets			
Restricted cash equivalents	*4,7*	57,500	57,500
Intangible assets	*8*	5,170,871	5,028,243
Total non-current assets		5,228,371	5,085,743
TOTAL ASSETS		$ 10,137,632	$ 12,823,968
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*4,11*	$ 1,022,314	$ 607,053
Total liabilities		1,022,314	607,053
Shareholders' equity			
Share capital	*9*	25,849,846	21,343,530
Reserves	*9*	6,826,581	8,216,628
Accumulated other comprehensive income (loss)		(14,764)	120,245
Deficit		(23,546,345)	(17,463,488)
Total shareholders' equity		9,115,318	12,216,915
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 10,137,632	$ 12,823,968

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

"Christopher Moreau" (signed)	***"David Levine" (signed)***
Christopher Moreau	David Levine
Director and Chief Executive Officer	Director

ALGERNON PHARMACEUTICALS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

Years ended August 31	Note	2021	2020
EXPENSES			
General and administrative	*11*	$ 194,573	$ 151,024
Marketing		794,324	1,265,925
Professional fees	*11*	607,672	1,171,258
Research and development	*5,12*	4,797,012	2,675,493
Salaries and benefits	*11*	656,829	8,175
Share-based payment	*9,11*	827,402	3,179,440
Shareholder communications		173,312	209,740
		8,051,124	8,661,055
Interest income		(11,927)	(35,075)
Debt forgiveness	*13*	-	(137,833)
Gain on restricted share units cash settlement	*9*	(305,117)	-
Loss on dissolution of US subsidiary		-	1,371
Impairment of research license	*14*	-	48,689
Net loss for the year		7,734,080	8,538,207
OTHER COMPREHENSIVE LOSS			
Item not classified into profit or loss:			
Foreign exchange loss on translation to reporting currency		135,009	16,705
Comprehensive loss for the year		$ 7,869,089	$ 8,554,912
Loss per common share			
Basic and fully diluted		$ 5.05	$ 9.71
Weighted average number of common shares outstanding		1,557,612	880,779

The accompanying notes are an integral part of these consolidated financial statements.

ALGERNON PHARMACEUTICALS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended August 31	2021	2020
OPERATING ACTIVITIES		
Net loss for the year	$ (7,734,080)	$ (8,538,207)
Items not involving cash		
Share-based payment	827,402	3,179,440
Gain on cash settlement of restricted share units	(305,117)	-
Debt forgiveness	-	(137,833)
Impairment of research license	-	48,689
Loss on dissolution of US subsidiary	-	1,371
Unrealized foreign exchange gain	(12,948)	(94,522)
	(7,224,743)	(5,541,062)
Changes in non-cash operating working capital		
Accounts receivable	(1,150,649)	(1,123,269)
Prepaid expenses	184,132	(361,089)
Accounts payable and accrued liabilities	368,643	415,487
	(7,822,617)	(6,609,933)
INVESTING ACTIVITY		
Additions of intangible assets	(124,448)	(99,741)
	(124,448)	(99,741)
FINANCING ACTIVITIES		
Proceeds from shares issued for cash, net of financing costs	2,693,610	9,259,075
Proceeds from warrants exercised	1,784,099	3,142,569
Proceeds from stock options exercised	52,500	12,500
Proceeds from compensation options exercised	26,668	205,604
Cash settlement and withholding of restricted share units	(311,670)	-
	4,245,207	12,619,748
Effect of exchange rate fluctuations on cash held	(8,403)	3,538
Increase (decrease) in cash and cash equivalents	(3,710,261)	5,913,612
Cash and cash equivalents, beginning of year	6,121,424	207,812
Cash and cash equivalents, end of year	$ 2,411,163	$ 6,121,424

ALGERNON PHARMACEUTICALS INC.
Consolidated Statements of Cash Flows (continued)
(Expressed in Canadian dollars)

Cash and cash equivalents is comprised of:		
Guaranteed Investment Certificates	$ 1,000,000	$ 5,500,000
Cash	1,411,163	621,424
	$ 2,411,163	$ 6,121,424
Supplemental cash flow information		
Non-cash investing and financing activities:		
Fair value of warrants issued with unit offering	$ 1,176,055	$ 997,869
Fair value of warrants issued with conversion of special warrants	$ -	$ 3,411,997
Fair value of warrants expired	$ 585,483	$ 1,317,304
Fair value of stock options expired	$ 993,247	$ 26,509
Fair value of warrants exercised	$ 283,885	$ 486,241
Fair value of stock options exercised	$ 36,396	$ 7,849
Fair value of compensation options exercised	$ 7,376	$ 52,123
Fair value of restricted share units settled	$ 797,837	$ -
Fair value of restricted share units forfeited	$ 72,493	$ -
Intangible assets included in accounts payable and accrued liabilities	$ 18,180	$ -
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

ALGERNON PHARMACEUTICALS INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	**Total**
Balance at August 31, 2019	473,445	$ 12,587,435	$ 2,517,348	$ 136,950	$ (10,269,094)	$ 4,972,639
Shares issued for cash, net of financing costs	623,115	4,849,209	4,409,866	-	-	9,259,075
Expiration of stock options	-	-	(26,509)	-	26,509	-
Expiration of warrants	-	-	(1,317,304)	-	1,317,304	-
Exercise of stock options	750	20,349	(7,849)	-	-	12,500
Exercise of warrants	261,881	3,628,810	(486,241)	-	-	3,142,569
Exercise of compensation options	24,189	257,727	(52,123)	-	-	205,604
Share-based payment	-	-	3,179,440	-	-	3,179,440
Other comprehensive loss	-	-	-	(16,705)	-	(16,705)
Net loss for the year	-	-	-	-	(8,538,207)	(8,538,207)
Balance at August 31, 2020	**1,383,380**	**$ 21,343,530**	**$ 8,216,628**	**$ 120,245**	**$ (17,463,488)**	**$ 12,216,915**
Shares issued for cash, net of financing costs	112,600	1,517,555	1,176,055	-	-	2,693,610
Expiration of stock options	-	-	(993,247)	-	993,247	-
Expiration of warrants	-	-	(585,483)	-	585,483	-
Exercise of stock options	5,250	88,896	(36,396)	-	-	52,500
Exercise of warrants	148,675	2,067,984	(283,885)	-	-	1,784,099
Exercise of compensation options	3,138	34,044	(7,376)	-	-	26,668
Settlement of restricted share units	21,825	797,837	(1,414,624)	-	-	(616,787)
Forfeiture of restricted share units	-	-	(72,493)	-	72,493	-
Share-based payment	-	-	827,402	-	-	827,402
Other comprehensive loss	-	-	-	(135,009)	-	(135,009)
Net loss for the year	-	-	-	-	(7,734,080)	(7,734,080)
Balance at August 31, 2021	**1,674,868**	**$ 25,849,846**	**$ 6,826,581**	**$ (14,764)**	**$ (23,546,345)**	**$ 9,115,318**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND GOING CONCERN

Algernon Pharmaceuticals Inc. (the "Company" or "Algernon") was incorporated on April 10, 2015 under the British Columbia*Business Corporations Act.* The registered office of Algernon is located at Suite 1500 - 1500 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

On November 23, 2021, the Company consolidated all of its issued and outstanding common shares on the basis of 100 to 1. Unless otherwise noted, all share, options, warrants, special warrants, agent warrants, and restricted share information have been retroactively adjusted to reflect this consolidation.

Algernon is a drug re-purposing company that investigates safe, already approved drugs for multiple new disease applications, moving them efficiently and safely into new human trials. The Company's lead compound is a drug called Ifenprodil which is being investigated in clinical trials for idiopathic pulmonary fibrosis ("IPF") and chronic cough.

Algernon is a clinical stage pharmaceutical development company focused on developing repurposed therapeutic drugs in the areas of non-alcoholic steatohepatitis ("NASH"), a type of liver disease, chronic kidney disease ("CKD"), inflammatory bowel disease ("IBD"), idiopathic pulmonary fibrosis ("IPF") and chronic cough. Drug re-purposing (also known as re-profiling, re-tasking or therapeutic switching) is the application of approved drugs and compounds to treat a different disease than what it was originally developed for. All the research and development ("R&D") work are carried out by the Company's 100% owned Canadian subsidiary, Nash Pharmaceuticals Inc. ("Nash Pharma"). On January 6, 2020, Nash Pharma established a 100% owned Australian subsidiary, Algernon Research Pty Ltd. ("AGN Research"). Through its ongoing research programs, Nash Pharma is seeking to minimize investment and drug development risk by taking advantage of regulatory approved drugs and discovering alternative clinical uses by accelerating entry into phase II clinical trials (human).

As at August 31, 2021, the Company has an accumulated deficit of $23,546,345 (2020 - $17,463,488) and for the year then ended incurred a net loss of $7,734,080 (2020 - $8,538,207). The Company will need to raise sufficient working capital to maintain operations. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

Impact of COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness.

The duration and impact of the COVID-19 outbreak is unknown as to how it would impact the Company's operations. COVID-19 restrictions in Australia have led to temporary site closures and delays in patient screening/enrolment. With recent widespread adoption of vaccination, these restrictions have been lifted.

It is currently not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

(b) Approval of the consolidated financial statements

The annual consolidated financial statements of the Company for the year ended August 31, 2021 were approved and authorized for issuance by the Board of Directors on November 26, 2021.

(c) Foreign currencies

The reporting currency is the Canadian dollar ("CAD"), which is the functional currency of Algernon and Nash Pharma. The functional currency of AGN Research is the Australian dollar ("AUD"). Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction, except amortization, which is translated at the rates of exchange applicable to the related assets. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of foreign entities to reporting currency on consolidation, which are recognized in other comprehensive income.

On consolidation, the assets and liabilities of entities are translated into the reporting currency at the rate of exchange at the reporting date and the consolidated statements of loss and comprehensive loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation purposes are recognized in other comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, which are entities over which the Company has control. Control exists when the Company has the power and ability, directly or indirectly, to direct the relevant activities of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date that control commences until the date the control ceases. The accounting policies of the Company's subsidiaries have been aligned with the policies adopted by the Company. When the Company ceases to control a subsidiary, the financial statements of that subsidiary are de-consolidated.

All intercompany transactions and balances have been eliminated on consolidation.

(b) Cash and cash equivalents

Cash includes deposits held with banks that are available on demand. Cash equivalents consisted of cashable guaranteed investment certificates that were readily convertible into a known amount of cash within 90 days or less.

(c) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued.

(d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except for items recognized directly in equity or in other comprehensive income.

Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax

Deferred income tax is recognized in respect of temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income taxes (continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in net loss in the period in which the change is enacted or substantively enacted.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(e) Financial instruments

The Company's financial instruments are accounted for as follows:

Measurement Category	Classification
Financial Asset	
Cash and cash equivalents	FVTPL
Restricted cash equivalents	FVTPL
Accounts receivable	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial Assets (continued)

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FTVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FTVOCI category, fair value changes are recognized in other comprehensive income while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss. The Company does not have any financial assets designated as FTVOCI.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss.

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Fair Value Hierarchy

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 - inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability are not based on observable market data.

Cash and cash equivalents, accounts receivable, restricted cash equivalents, and accounts payables and accrued liabilities are recorded at their carrying amounts and approximate their fair values due to their short- term nature.

(f) Share-based payments

The Company has a stock option plan that is described in Note 9 and grants share options to acquire common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments granted. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued as calculated using the Black-Scholes option pricing model. The offset to the recorded expense is to reserve.

Consideration received on the exercise of stock options is recorded as share capital and the recorded amount in reserves is transferred to share capital. For those options that expire or are cancelled, the recorded fair value in reserves is transferred to deficit.

(g) Restricted Share Units

The fair value of the restricted share units ("RSU") over the vesting periods is based on the volume weighted average trading price of the Company's common shares for the five trading days immediately preceding the grant date. Costs recognized when the RSU vest are charged to share-based payment with the corresponding equity recorded as reserves.

When the RSU are settled in shares, recorded fair value is transferred from reserves to share capital.For cash settled RSU, the fair value of the RSU is recognized as share-based payment expense, with a corresponding increase in accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimate of the number of RSUs expected to vest. Cash settled RSU are measured at their fair value at each reporting period on a mark-to-market basis. Upon vesting of the cash settled RSU, the liability is reduced by the cash payout.

(h) Loss per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Loss per share (continued)

Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the reporting periods.

However, in periods where a net loss is reported, outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive and as a result diluted loss per share is equal to the basic loss per share.

As at August 31, 2021 and 2020, outstanding equity instruments were anti-dilutive, and therefore, basic and fully diluted EPS were equal.

(i) Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

(j) Unit offering

The Company engages in equity financing transactions to obtain the funds necessary to continue operations, and R&D activities. These equity financing transactions may involve issuance of common shares or units (a "unit"). Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a stated price prior to expiry as stipulated by the transaction.

The fair value of the components of the units sold are measured using the relative fair value approach, based on the calculated fair value of the stand-alone shares through reference to the closing quoted bid price on the share issuance date and the fair value of the stand-alone warrant, estimated using the Black-Scholes option pricing model. Fair value attributed to the warrants is recorded in reserves.

From time to time in connection with private placements, the Company issues compensatory warrants ("Agent Warrants") or warrant units ("Agent Warrant Units") to agents as commission for services. Awards of Agent Warrants and Agent Warrant Units are accounted for in accordance with the fair value method of accounting and result in share issue costs and a credit to reserves when Agent Warrants and Agent Warrant Units are issued. The fair value of Agent Warrants is measured using the Black-Scholes option pricing model and the fair value of the Agent Warrant Units is measured using the Geske compound option pricing model that both require the use of certain assumptions regarding the risk-free market interest rate, expected volatility in the price of the underlying stock, and expected life of the Agent Warrants.

Consideration received upon the exercise of warrants is recorded as share capital and the recorded amount in reserves is transferred to share capital. If warrants expire unexercised, the recorded amount in reserves is transferred to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Research and development expenditures

Development activities involve a plan or design for the production of new or substantially improved products and processes.

Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized may include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss when incurred.

(l) Australian research and development ("R&D") tax credits

The Company qualifies for the Australian R&D tax credit as it has incurred qualified R&D expenditures undertaken in Australia. The tax credit is calculated as 43.5% of qualified R&D expenditures incurred.

The Company recognizes a tax credit receivable and records those amounts as a recovery against R&D expenses in the relevant periods to match with the related expenditures.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in an asset acquisition is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU").

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Intangible assets (continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. The Company derecognizes the carrying amount of assets on disposal or when no future economic benefits are expected from its use. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level.

Impairment losses are recognized in net loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. An impairment charge is reversed through net loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

(n) Significant accounting judgments and estimates

The following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Deferred income taxes

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Share-based compensation

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models such as the Geske option pricing model for equity instruments involving compound options that incorporate market data and involve uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate. The Company estimates volatility based on the Company's historical share prices, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility.

Intangible assets - Treatment and Recoverability

Following initial recognition, the Company carries the value of the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value.

Recoverability of the carrying value of intangible assets requires management to determine whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Significant accounting judgments and estimates (continued)

Intangible assets - Treatment and Recoverability (continued)

Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of research results, as well as the Company's financial ability to continue sales activities and operations.

At each reporting date, the Company assesses if the intangible assets have indicators of impairment. In determining whether the intangible assets are impaired, the Company assesses certain criteria, including observable decreases in value, significant changes with adverse effect on the entity, evidence of technological obsolescence and future plans.

Qualified research and development expenses

In determining whether the R&D expenses incurred in Australia qualify for the Australian R&D tax credit, the Company must use judgment in assessing whether expenses incurred meet the criteria set forth by the Australian Government. These criteria include, but are not limited to, whether the expenditure was incurred on R&D activities, whether the expense was incurred to acquire or construct a building, and whether the expense relates to a decline in value of depreciating assets used in R&D activities.

Determination of the functional currency

In concluding that the Canadian dollar is the functional currency of Algernon and Nash Pharma, and the Australian dollar is the functional currency of AGN Research, management considered the currency that mainly influences the cost of providing goods and services in the primary economic environment in which each entity operates, or if there has been a change in events or conditions that determined the primary economic environment.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable. The Company's accounts receivable is mainly comprised of GST receivable, accrued interest receivable from GIC's held with bank, and accrued Australia R&D tax credit receivable. GST receivable and Australia R&D tax credit receivable are not financial instruments as they do not arise from contractual obligations. The Company limits exposure to credit risk on bank deposits by holding demand deposits in high credit quality banking institutions in Canada and Australia. Management believes that the credit risk with respect to receivables is minimal.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. All of the Company's financial obligations are due within one year.

At August 31, 2021, the Company had a working capital of $3,886,947 compared to working capital at August 31, 2020 of $7,131,172. This included cash and cash equivalents of $2,411,163 (2020 - $6,121,424) available to meet short-term business requirements and current liabilities of $1,022,314 (2020 - $607,053).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risks. The Company is not exposed to significant interest rate risk and other price risk.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of the short-term investment nature. The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents and restricted cash equivalents. Cash equivalents consists of GICs held at banking institutions that bear interest prime less 2.25% and mature 90 days.

b) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

c) Foreign currency risk

Foreign currency risk is related to fluctuations in foreign exchange rates. The Company has certain expenditures that are denominated in US dollars ("US$"), Australian dollars ("AUD$") and other operating expenses that are mainly in Canadian dollars ("CAD$").

The Company funds cash calls to its foreign subsidiary in Australia in AUD$. The Company's exposure to foreign currency risk arises primarily on fluctuations in the exchange rate of the CAD$ relative to the US$ and the AUD$.

As at August 31, 2021, the Company had monetary assets of US$19,796 or $24,976 (2020 - US$21,499 or $28,040) at the CAD$ equivalent and monetary liabilities of US$78,289 or $98,777 (2020 - US$84,285 or $109,924) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US$ by 10% will increase or decrease other comprehensive loss by approximately $7,380 (2020 - $8,188).

The Company has not entered into any foreign currency contracts to mitigate this risk. Foreign currency risk is considered low relative to the overall financial operating plan.

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

- Level 1 - fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 - fair values are based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company classified its financial instruments at Level 1 and as follows:

	Financial Assets	Loans and Receivables	Financial Liabilities
	Fair Value Through Profit Or loss	Measured at Amortized Cost	Measured at Amortized Cost
August 31, 2021			
Cash and cash equivalents	$ 2,411,163	$ -	$ -
Restricted cash equivalents	57,500	-	-
Accounts receivable	-	484	-
Accounts payable and accrued liabilities	$ -	$ -	$ (1,022,314)
August 31, 2020			
Cash and cash equivalents	$ 6,121,424	$ -	$ -
Restricted cash equivalents	57,500	-	-
Accounts receivable	-	37,408	-
Accounts payable and accrued liabilities	$ -	$ -	$ (607,053)

5. ACCOUNTS RECEIVABLE

	August 31, 2021	August 31, 2020
Accrued interest receivable	$ 484	$ 21,364
GST receivable	74,253	206,667
R&D tax credit receivable[(1)]	2,220,145	985,378
Other receivables	-	16,044
	$ 2,294,882	$ 1,229,453

(1) The Australia R&D tax credit allows qualifying companies to receive a cash refund at 43.5% of the eligible R&D expenditure connected to R&D activities undertaken in Australia. As at August 31, 2021, cash refundable of $2,220,145 (2020 - $985,378) is recognized as a recovery of R&D expenditures over the relevant periods to match it with the related expenditures. Subsequent to the year ended August 31, 2021, $2,046,653 of the cash refundable for periods up to June 30, 2021 was received.

(Expressed in Canadian dollars)

6. PREPAID EXPENSES

	August 31, 2021	August 31, 2020
Conferences	$ -	$ 25,000
Consulting	1,637	-
Marketing	115,956	195,704
Office and general	27,933	30,052
Professional fees - legal retainer	16,884	10,895
Research and development	26,799	113,887
Shareholders communications	14,007	11,810
	$ 203,216	$ 387,348

7. RESTRICTED CASH EQUIVALENTS

As at August 31, 2021 and 2020, the Company classified $57,500 as restricted cash equivalents. This amount is held as collateral for the Company's corporate credit cards and is invested in GICs at a rate of prime less 2.20%.

8. INTANGIBLE ASSETS

	Acquisition of Nash Pharma[1]	Trademark Application Costs[3]	Patent Application Costs[2]	Total
Cost				
Balance, August 31, 2019	$ 4,862,756	$ 5,403	$ 83,521	$ 4,951,680
Additions	-	7,825	68,738	76,563
Balance, August 31, 2020	$ 4,862,756	$ 13,228	$ 152,259	$ 5,028,243
Additions	-	1,204	141,424	142,628
Balance, August 31, 2021	$ 4,862,756	$ 14,432	$ 293,683	$ 5,170,871

(1) On October 19, 2018, the Company completed the acquisition transaction of Nash Pharma. No amortization was taken on the intangibles acquired as the assets with finite life are not available for use. On an annual basis, the intangibles with finite life are reviewed for impairment. The Company will impair or write-off when it abandons a drug or determine an amortization policy when a compound is approved.

(2) The Company has filed new method of use patents for lead compounds for treatment of three new disease areas: NASH, CKD and IBD. Patents, once approved, will have a finite life base on their expiry dates and will be amortized on a straight-line basis over their economic or legal life. No amortization was taken as these assets are not available for use.

(3) The Company has filed trademark applications for the name "ALGERNON". Trademarks are assets with an indefinite life that cannot be amortized in the same way as assets with a finite life. Instead, every year, a test for impairment is conducted on indefinite life assets. If the asset is found to be impaired, then its life is estimated, and it is amortized over the remainder of its useful life in the same way for a finite life intangible.

9. SHARE CAPITAL AND RESERVES

Share capital

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

As at August 31, 2021, there were 1,674,868 (2020 - 1,383,380) common shares issued and outstanding. Details of common shares are as follows:

During the year ended August 31, 2021:

- On March 5, 2021, the Company completed a private placement of 112,600 units of the Company at a price of $25 per unit for gross proceeds of $2,815,010 (the "March 2021 Offering"). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at the price of $40 for a period of 24 months after the closing date until March 5, 2023.

  The fair value of the share purchase warrants was valued using the relative fair value approach and the Black-Scholes option pricing model with the following inputs on date of issuance: share listed price of $27, exercise price of the warrant of $40; expected life of 2 years; expected volatility of 139.92%; risk-free rate of return of 0.29%; and expected dividend yield of 0%. The fair value of the share purchase warrant was determined to be $1,069,286.

  In connection with the private placement, the Company issued a total of 6,456 finders' warrants, being 8% of the number of units sold under the March 2021 Offering to purchasers introduced by eligible finders. Each finders' warrant entitles the holder to purchase one common share until March 5, 2023. The Company also paid cash finders fees in the aggregate amount of $121,400, being 8% of the aggregate proceeds raised from the sale of units to purchasers introduced by the eligible finders.

  The fair value of the finders' warrants was valued using the Black-Scholes option pricing model with the same inputs listed above. The fair value of the finders' warrants was determined to be $106,769. The total fair value of the warrants associated with the units of the March 2021 Offering and the fair value of the finders' warrants issued was $1,176,055.

- 21,825 common shares were issued net of withholding taxes in settlement of the 28,710 restricted share units ("RSUs) that were settled. The RSUs were granted on July 23, 2020 with a fair value of $35 per RSU. The total gross fair value of the vested RSUs was $1,012,814. A total of 6,885 common shares were withheld in lieu of withholding taxes in the amount of $214,977. The fair value of the common shares issued was $797,837.

- A total of 148,675 common shares were issued in connection with the exercise of tradeable and non-tradeable warrants.

  72,568 common shares were issued in connection with the exercise of 72,568 tradeable warrants at a price of $12 per tradeable warrant for gross proceeds of $870,810. The fair value allocated to these warrants on issuance of $129,858 was reclassified from reserves to share capital.

9. SHARE CAPITAL AND RESERVES (continued)

Share capital (continued)

76,107 common shares were issued in connection with the exercise of 76,107 non-tradeable warrants at a price of $12 per non-tradeable warrant for gross proceeds of $913,289. The fair value allocated to these warrants on issuance of $154,027 was reclassified from reserves to share capital.

- 3,138 common shares were issued in connection with the exercise of 3,138 agent warrant units at a price of $8.50 per unit for gross proceeds of $26,668. The fair value allocated to the share component of these units on issuance of $7,376 was reclassified from reserves to share capital.

- 5,250 common shares were issued in connection with the exercise of 5,250 stock options at $10 per share for gross proceeds of $52,500. The fair value allocated to these stock options on issuance of $36,396 was reclassified from reserves to share capital.

During the year ended August 31, 2020:

- On November 1, 2019, the Company closed a public offering of 244,013 units of the Company at a price of $8.50 per unit for gross proceeds of $2,074,110 (the "November 2019 Offering"). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to acquire one common share at the price of $12 for a period of 30 months after the closing date until May 1, 2022. These share purchase warrants in connection with the public offering were tradeable on the Canadian Securities Exchange ("CSE") under the symbol "AGN.WT". Using the relative fair value approach and based on the listed share price of $7.50 on November 1, 2019 and listed warrant price of $2 on November 4, 2019 (the first day of trading), the fair value attributed to the warrants was determined to be $436,655.

  In addition, a total of 18,011 of Agent Warrant Units (also referred to as Compensation Options) were issued. Each Agent Warrant Unit entitles the holder to purchase one unit of the Company at a price of $8.50 per unit until May 1, 2022. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at the price of $12. These share purchase warrants are tradeable on the CSE under the symbol AGN.WT.

  The agent warrant units were valued using a Geske compound options pricing model with the following inputs on date of issuance: allocated share price of $7.50 for the share component of the unit; allocated price of $1 for the warrant component of the unit; exercise price of the warrant of $12; expected life of 2.5 years for both the share component and warrant component of the unit; expected volatility of 126.18%; risk-free rate of return of 1.55%; and expected dividend yield of 0%. The fair value of the agent warrant units was determined to be $117,070.

  The total of the fair value of the warrants associated with the units of the November 2019 Offering and the fair value of the Agent Warrant Units issued was $553,725.

  The Company also incurred cash share issue costs of $383,987 related to this public unit offering.

  On February 20, 2020, the Company closed a private placement for 183,049 units of the Company at a price of $8.50 per unit for gross proceeds of $1,555,920 ("the February 2020 Offering"). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at the price of $12 for a period of 30 months after the closing date until August 20, 2022. The share purchase warrants in connection with this private placement are not tradeable on the CSE. Using the relative fair value approach and based on the listed share price of $8 and listed warrant price of $2.50 on date of issuance of the units, the fair value attributed to the warrants was determined to be $370,457.

9. SHARE CAPITAL AND RESERVES (continued)

Share capital (continued)

In addition, a total of 9,696 of Agent Warrant Units were issued. Each Agent Warrant Unit entitles the holder to purchase one unit of the Company at a price of $8.50 per unit until August 20, 2022. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share at a price of $12. These share purchase warrants are not tradeable on the CSE.

The agent warrant units were valued using a Geske compound options pricing model with the following inputs on date of issuance: share price of $8 on February 20, 2020 for the share component of the unit; allocated price of $0.50 for the warrant component of the unit; exercise price of the warrant of $12; expected life of 2.5 years for both the share component and warrant component of the unit; expected volatility of 130.28%; risk-free rate of return of 1.45%; and expected dividend yield of 0%. The fair value of the Agent Warrant Units was determined to be $73,687.

The total of the fair value of the warrants associated with the units of the February 2020 Offering and the fair value of the Agent Warrant Units issued was $444,144.

The Company also incurred cash share issue costs of $101,590 related to this private placement.

- On May 13, 2020, the Company closed a private placement for 196,053 special warrants ("the Special Warrants offering") of the Company at a price of $35 per Special Warrant for gross proceeds of $6,861,850. Each Special Warrant was exercisable, for no additional consideration at the option of the holder, into one unit of the Company. Each unit would consist of one common share and one common share purchase warrant. Each warrant would entitle the holder to acquire one common share at the price of $55 for a period of 24 months after the closing date until May 13, 2022.

  On June 12, 2020, the Company received a receipt for the Company's final short form prospectus dated June 11, 2020, to qualify and to distribute the securities underlying the 196,053 Special Warrants that were issued by the Company on May 13, 2020.

- In accordance with the terms of a special warrant indenture dated May 13, 2020, on June 17, 2020, each Special Warrant was automatically converted into one common share of the Company and one common share purchase warrant. Each warrant is exercisable for one common share of the Company on or before May 13, 2022 at an exercise price of $55 per common share. The share purchase warrants in connection with this private placement are not tradeable on the CSE. Using the relative fair value approach and based on the listed share price of $35.50 and listed warrant price of $23.50 on date of issuance of the Special Warrants, May 13, 2020, the fair value attributed to the warrants was determined to be $2,733,110.

  In addition, a total of 15,053 of Agent Warrant Units were issued. Each Agent Warrant Unit entitles the holder to purchase one unit of the Company at a price of $35 per unit until May 13, 2022. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at the price of $55. These share purchase warrants are not tradeable on the CSE.

  The Agent Warrant Units were valued using a Geske compound options pricing model with the following inputs on date of issuance of the Special Warrants: allocated share price of $35 for the share component of the unit; allocated price of $0.10 for the warrant component of the unit; exercise price of the warrant of $55; expected life of 2.0 years for both the share component and warrant component of the unit; expected volatility of 143.79%; risk-free rate of return of 0.28%; and expected dividend yield of 0%. The fair value of the Agent Warrant Units was determined to be $678,887.

9. SHARE CAPITAL AND RESERVES (continued)

Share capital (continued)

The fair value per share on date of issuance of Special Warrants was $35.50. As it was higher than the exercise price of the Agent Warrants Units at $35, the option on the share component of the unit was in the money. Hence the total exercise price of the unit, $35, was allocated to the share component of the unit and minimal amount of $0.10 was allocated to the warrant portion of the unit.

The total of the fair value of the warrants associated with the units of the May 13, 2020 Special Warrants Offering and the fair value of the Agent Warrant Units issued was $3,411,997.

The Company also incurred cash share issue costs of $747,228 related to this private placement.

- 186,721 common shares were issued in connection with the exercise of 186,721 tradeable warrants at a price of $12 per tradeable warrant for gross proceeds of $2,240,657. The value allocated to these warrants when issued, $334,133, was reclassified from reserves to share capital.

  75,159 common shares were issued in connection with the exercise of 75,159 non-tradeable warrants at a price of $12 per non-tradeable warrant for gross proceeds of $901,912. The value allocated to these warrants when issued, $152,108, was reclassified from reserves to share capital

- 24,189 common shares were issued in connection with the exercise of 24,189 Agent Warrant Units at a price of $8.50 per unit for gross proceeds of $205,604. The value allocated to the share component of these units when issued, $52,123, was reclassified from reserves to share capital.

- 750 common shares were issued in connection with the exercise of 750 stock options at a weighted average exercise price of $17 per stock option for gross proceeds of $12,500. The value allocated to these stock options when issued, $7,849, was reclassified from reserves to share capital.

Stock options

Stock options to purchase common shares have been granted to directors, employees, contractors and consultants at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's rolling stock option plan is 10% of the number of shares outstanding (the "Plan"). Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

Under the Plan, the number of shares reserved for issuance to any one optionee will not exceed 5% of the then issued and outstanding shares and the number of shares reserved for issuance to consultants will not exceed
2% of the then issued and outstanding shares. The options are non-assignable and non-transferable and will be exercisable up to 10 years from the date of grant. The minimum exercise price of an option granted under the Plan must not be less than the discounted market price, as such term is defined in the policies of the CSE and other applicable regulatory authorities.

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

During the year ended August 31, 2021:

- There were no stock options granted by the Company.
- A total of 5,250 incentive stock options were exercised with a weighted average exercise price of $10 per share. The weighted average stock price on the date of exercise was $17 per share.
- On February 1, 2021, a total of 5,375 incentive stock options expired unexercised. The stock options that expired had a weighted average exercise price of $50 per share. The fair value allocated to these stock options on issuance of $407,103 was reclassified from reserves to deficit.
- On May 29, 2021, a total of 12,500 incentive stock options with a weighted average exercise price of $29 per share expired following the resignation of an officer. The fair value allocated to these stock options on issuance of $559,456 was reclassified from reserves to deficit.
- On August 31, 2021, a total of 750 incentive stock options expired with a weighted average exercise price of $39 per share expired following the deemed termination of several consultants. The fair value allocated to these stock options on issuance of $26,688 was reclassified from reserves to deficit.

During the year ended August 31, 2020:

- On September 26, 2019, a total of 1000 incentive stock options expired following the resignation of an officer. The stock options expired had a weighted average exercise price of $39 per share. All options were fully vested prior to resignation. The fair value allocated to these stock options on issuance of $26,509 was reclassified from reserves to deficit.
- On February 13, 2020, the Company granted a total of 43,750 incentive stock options to certain directors, officers and consultants of the Company with an exercise price of $10 per share. The options expire on February 13, 2025.
- On April 13, 2020, the Company granted a total of 45,500 incentive stock options to certain directors, officers and consultants of the Company with an exercise price of $29 per share. The options expire on April 13, 2025.
- On August 17, 2020, the Company granted a total of 6,000 incentive stock options to certain consultants of the Company with an exercise price of $35 per share. The options expire on August 17, 2025.
- A total of 750 incentive stock options were exercised with a weighted average exercise price of $17 per share. The weighted average stock price on the date of exercise was $33 per share.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The changes in stock options outstanding are as follows:

	Number of Stock Options		Weighted Average Exercise Price
Balance at August 31, 2019	13,875	$	46
Granted	95,250	$	21
Exercised[(1)]	(750)	$	17
Expired	(1,000)	$	39
Balance at August 31, 2020[(3)]	107,375	$	24
Exercised[(2)]	(5,250)	$	10
Expired	(18,625)	$	35
Balance outstanding and exercisable at August 31, 2021	83,500	$	22

(1) The weighted average share price on the date of exercise for options exercised was $33.
(2) The weighted average share price on the date of exercise for options exercised was $17.
(3) 1,000 were not vested and hence the balance exercisable at August 31, 2020 was 106,375.

As at August 31, 2021, the Company had the following stock options outstanding and exercisable:

Date of Grant	Date of Expiry	Number Outstanding and Exercisable		Weighted Average Exercise Price	Weighted Average Remaining Life in Years
May 18, 2017	May 18, 2022	1,500	$	30	0.71
March 1, 2018	March 1, 2023	5,250	$	48	1.50
February 13, 2020	February 13, 2025	38,000	$	10	3.46
April 13, 2020	April 13, 2025	32,750	$	29	3.62
August 17, 2020	August 17, 2025	6,000	$	35	3.96
Total		83,500	$	22	3.38

Restricted Share Units

Effective July 23, 2020, the Company has a 10% rolling restricted share unit plan which allows the Company to grant restricted share units ("RSU units") to directors, officers, employees and consultants of the Company, to a maximum of the number of shares equal to 10% of the shares issued and outstanding from time to time.

- On July 23, 2020, a total of 43,500 RSU units were granted to certain directors, officers, and consultants of the Company with a fair value of $35 per RSU unit. 33% was vested on the grant date with another 33% vested on January 22, 2021 and the remaining 34% vested on July 22, 2021. All of the RSU units were settled in the year ended August 31, 2021.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Restricted Share Units (continued)

The changes in restricted share units outstanding are as follows:

	Number Outstanding[3]
Balance at August 31, 2019	-
Granted	43,500
Balance at August 31, 2020	43,500
Settled[1] [2]	(40,100)
Forfeited	(3,400)
Balance at August 31, 2021	-

(1) On September 29, 2020, a total of 10,685 of common shares were issued net of withholding taxes in settlement of the 14,355 RSUs that were vested. A total of 3,670 of common shares were withheld in lieu of withholding taxes in the amount of $129,459. During the year ended August 31, 2021, 25,745 RSUs vested (2020 - 14,355).

(2) On February 9, 2021, a total of 11,140 of common shares were issued net of withholding taxes in settlement of the 14,355 RSUs that were vested on January 22, 2021. A total of 3,215 of common shares were withheld in lieu of withholding taxes in the amount of $85,518.

(3) Of the 14,790 RSUs with vesting date on July 22, 2021, 3,400 were forfeited upon resignation of an officer and 9,690 were settled and paid out in cash net of withholding taxes on August 13, 2021. The remaining 1,700 RSUs were settled and paid out in cash on August 20, 2021.Total cash paid to for the settlement of the 11,390 RSUs was $96,693.

Share-based payments

(a) Stock options

When the Company issues stock options, it records a share-based payment expense in the year or period which the options are granted and/or vested. The expense is estimated using assumptions including the expected volatility assumption that is based on the historical and implied volatility of the Company's common share price on the CSE and the risk-free interest rate assumption that is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the stock options. The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the share-based payment expense recorded in the accompanying consolidated statements of loss and comprehensive loss.

During the year ended August 31, 2021, no stock options were granted by the Company.

During the year ended August 31, 2020, the Company granted a total 95,250 stock options to certain directors, officers and consultants of the Company and recorded a total of $2,509,208 of share-based compensation expense.

- 43,750 stock options with a weighted average exercise price of $10 per share were granted on February 13, 2020 with an expiry date of February 13, 2025. Of the stock options granted, 42,750 vested immediately with a four-month hold on trading and 1,000 were subject to vesting six months after the grant date. The fair value per share on grant date was $8.50. Under the graded vesting method, at August 31, 2020, the total fair value of these stock options was $303,296 which was also recognized as share-based payment for the year.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Share-based payments (continued)

(a) Stock options (continued)

- 45,500 stock options with a weighted average exercise price of $29 per share were granted on April 13, 2020 with an expiry date of April 13, 2025. Of the stock options granted, 44,500 vested immediately with a four-month hold on trading and 1,000 were subject to vesting six months after the grant date. The fair value per share on grant date was $50. Under the graded vesting method, at August 31, 2020, the total fair value of these stock options was $2,036,420 which was also recognized as share-based payment for the year.

- 6,000 stock options with a weighted average exercise price of $35 per share were granted on August 17, 2020 with an expiry date of August 17, 2025. All of the stock options vested immediately on grant date with a four-month hold on trading. The fair value per share on grant date was $35. The total fair value of these stock options was $180,008 which was also recognized as share-based payment for the nine-month period.

The Company uses the Black-Scholes option pricing model to determine the fair value of the options granted with the following weighted average assumption:

Years ended August 31	2021	2020
Risk-free interest rate	-	0.94%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	126.64%
Expected option life in years	-	5.0
Forfeiture rate	-	0.00%

(b) Restricted Share Units

When the Company issues RSU units, it records a share-based payment expense in the year or period which the RSU units are granted and/or vested. The expense is measured using a deemed price that is based on the volume weighted average trading price of the Company's common shares for the five trading days immediately preceding the grant date as prescribed in the Company's restricted share units rolling plan.

During the year ended August 31, 2020, the Company granted a total of 43,500 RSU units to certain directors, officers and consultants of the Company with a fair value of $35 per RSU.

- On September 29, 2020, a total of 10,685 of common shares were issued net of withholding taxes in settlement of the 14,355 RSUs that were settled. The RSUs were granted on July 23, 2020 with a fair value of $35 per RSU. The total gross fair value of the vested RSUs was $506,407. A total of 3,670 common shares were withheld in lieu of withholding taxes in the amount of $129,459.

- On February 9, 2021, a total of 11,140 of common shares were issued net of withholding taxes in settlement of the 14,355 RSUs that were vested on January 22, 2021. The RSUs were granted on July 23, 2020 with a fair value of $35 per RSU. The total gross fair value of the vested RSUs was $506,407. A total of 3,215 common shares were withheld in lieu of withholding taxes in the amount of $85,518.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Share-based payments (continued)

(b) Restricted Share Units (continued)

- On March 1, 2021, 3,400 of the unvested RSUs were forfeited upon the resignation of an officer. The fair value of $72,493 for these forfeited RSUs was transferred from reserves to deficit.
- On July 22, 2021, the vesting date for the third and final tranche of the RSUs, the Company modified the settlement method for the remaining 11,390 RSUs from share settlement to cash settlement. On August 13, 2021, 9,690 RSUs were settled and paid out net of withholding taxes and 1,700 RSUs were settled and paid out to a consultant. The settlement value per RSU was based on a deemed price of $8.50 based on the volume weighted average trading price of the Company's common shares for the five trading days immediately preceding the vesting date. This difference between the cash settlement price and the fair value of $35 per RSU on the grant date resulted in a gain on cash settlement of $305,117.

Overall, during the year ended August 31, 2021, the Company recorded a total of $827,402 (2020 - $3,179,440) of share-based payment expense for its reserves.

Share purchase warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2019	221,153	$ 28
Issued	647,304	$ 25
Exercised	(261,881)	$ 12
Expired	(160,267)	$ 24
Balance at August 31, 2020	446,309	$ 34
Issued	122,194	$ 39
Exercised	(148,675)	$ 12
Expired	(63,158)	$ 33
Balance at August 31, 2021	356,670	$ 46

As at August 31, 2021, the Company had the following warrants outstanding:

Date of Expiry	Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years
May 1, 2022[(1)]	$ 12	83	0.67
May 13, 2022	$ 55	196,053	0.70
August 20, 2022	$ 12	41,478	0.97
March 5, 2023	$ 40	119,056	1.51
Total	$ 46	356,670	1.00

(1) Warrants that were issued on November 1, 2019 ("November Warrants") were tradeable under the symbol of AGN.WT and had their expiry date accelerated to January 21, 2021. A total of 2,272 of these AGN.WT expired during the period.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Special Warrants

The changes in special warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2019	-	$ -
Issued	196,053	$ 35
Conversion into Special Warrant Units	(196,053)	$ 35
Balance at August 31, 2020 and August 31, 2021	-	$ -

During the year ended August 31, 2021:

- There were no special warrants outstanding.

During the year ended August 31, 2020:

- On May 13, 2020, the Company closed a private placement for 196,053 special warrants ("the Special Warrants offering") of the Company at a price of $35 per Special Warrant for gross proceeds of $6,861,850. Each Special Warrant is exercisable, for no additional consideration at the option of the holder, into one unit of the Company. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share at the price of $55 for a period of 24 months after the closing date until May 13, 2022.

- On June 12, 2020, the Company received a receipt for the Company's final short form prospectus dated June 11, 2020, to qualify the securities underlying the 196,053 Special Warrants that were issued by the Company on May 13, 2020.

  In accordance with the terms of a special warrant indenture dated May 13, 2020, on June 17, 2020, each Special Warrant was automatically converted into one common share of the Company and one common share purchase warrant. Each warrant is exercisable for one common share of the Company on or before May 13, 2022 at an exercise price of $55 per common share.

  In addition, a total of 15,052 of Agent Warrant Units were issued. Each Agent Warrant Unit entitles the holder to purchase one unit of the Company at a price of $35 per unit until May 13, 2022. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at the price of $55. These share purchase warrants are not tradeable on the CSE.

  The Agent Warrant Units were valued using a Geske compound options pricing model with the following inputs on date of issuance of the Special Warrants: allocated share price of $35 for the share component of the unit; allocated price of $0.01 for the warrant component of the unit; exercise price of the warrant of $55; expected life of 2.0 years for both the share component and warrant component of the unit; expected volatility of 143.79%; risk-free rate of return of 0.28%; and expected dividend yield of 0%. The fair value of the Agent Warrant Units was determined to be $678,887.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Special Warrants (continued)

The fair value per share on date of issuance of Special Warrants was $35.50. As it was higher than the exercise price of the Agent Warrant Units at $35, the option on the share component of the unit was in the money. Hence the total exercise price of the unit, $35, was allocated to the share component of the unit and minimal amount of $0.01 was allocated to the warrant portion of the unit.

The Company also incurred cash Special Warrants issue costs of $747,228 related to this private placement. Hence the net proceeds from the Special Warrant offering were $6,114,622.

Agent warrant units

The changes in agent warrant units outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2019	-	$ -
Issued	42,759	$ 17.80
Exercised	(24,189)	$ 8.50
Balance at August 31, 2020	18,570	$ 30.00
Exercised	(3,138)	$ 8.50
Balance at August 31, 2021	15,432	$ 34.30

As at August 31, 2021, the Company had the following agent warrant units outstanding:

Date of Expiry		Exercise Price	Number of Agent Warrant Units	Weighted Average Remaining Life in Years
May 1, 2022	$	8.50	380	0.67
May 13, 2022	$	35.00	15,053	0.70
Total	$	34.30	15,433	0.70

(Expressed in Canadian dollars)

10. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2020 - 27%) to income before income taxes. The reasons for the differences are as follows:

		2021		2020
Loss before income taxes	$	(7,734,080)	$	(8,538,207)
Statutory income tax rate		27%		27%
Income tax benefit computed at statutory tax rate		(2,088,202)		(2,305,316)
Permanent differences				
Share-based payment		223,398		858,449
Dissolution of US Subsidiary		-		335,516
Share issuance costs		(42,498)		(332,858)
Non-deductible research and development		615,986		327,047
Settlement of restricted share units		(108,489)		-
Other		(22,780)		(1,748)
Differences attributable to income tax rates of other countries		35,345		(10,800)
Unrecognized benefit of deferred income tax assets		1,387,240		1,129,710
Income tax expense	$	-	$	-

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of August 31, 2021 and 2020 are as follows:

		2021		2020
Non-capital losses carried forward	$	15,157,000	$	10,065,000
Share issuance costs		867,000		991,000
License agreement		122,000		122,000
Other		11,000		11,000
	$	16,157,000	$	11,189,000

(Expressed in Canadian dollars)

10. INCOME TAXES (continued)

The Company's unrecognized unused non-capital losses have the following expiry dates:

2034	$ 41,000	$ 41,000
2035	205,000	205,000
2036	1,069,000	1,069,000
2037	1,054,000	1,054,000
2038	1,487,000	1,487,000
2039	1,683,000	1,683,000
2040	4,283,000	4,282,000
2041	4,561,000	-
	$ 14,383,000	$ 9,821,000

The Company's unrecognized unused Australian non-capital losses of $774,000 (2020 - $243,000) have an indefinite carry forward period.

11. 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	2021	2020
Short-term benefits (1)	$ 596,375	$ 8,000
Consulting fees - other (2)	11,750	606,663
Share-based payment (3)	697,667	2,489,669
Rent (4)	36,000	32,000
	$ 1,341,792	$ 3,136,332

(1) Salaries paid to officers and directors fees to independent directors:
- $256,079 (2020 - $nil) to Chief Executive Officer;
- $148,864 (2020 - $nil) to Chief Financial Officer;
- $100,000 (2020 - $nil) to Chief Science Officer who resigned on February 28, 2021;
- $65,000 (2020 - $nil) to VP of Research and Operations who took on the role effective March 1, 2021;
- $13,216 (2020 - $4,000) to an independent director;
- $13,216 (2020 - $4,000) to an independent director.

(2) Fees paid to consultants/companies related to management personnel:
- $nil (2020 - $257,000) to a company controlled by the Chief Executive Officer;
- $nil (2020 - $80,000) to a company controlled by the Chief Financial Officer;
- $nil (2020 - $266,663) to the Chief Science Officer;
- $11,750 (2020 - $3,000) for tax services paid to a partnership where Chief Financial Officer is a partner.

(3) Share-based payments were non-cash items that consisted of the fair value of RSUs that were granted and settled in shares to key management personnel including the independent directors.

(4) Rent:
- $36,000 (2020 - $32,000) paid for corporate office space to a company where a senior officer and director is a principal.

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

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

As at	August 31, 2021	August 31, 2020
Key management personnel - expense reimbursements	$ 111	$ -

12. RESEARCH AND DEVELOPMENT PROGRAMS

For the year ended	August 31, 2021	August 31, 2020
Clinical Trials:		
Phase 2 for IPF and chronic cough	$ 1,203,109	$ 1,032,627
Investigator-led COVID study in South Korea	148,182	544,710
Phase 2b/3 multinational COVID study	4,617,199	1,264,373
	$ 5,968,490	$ 2,841,710
Preclinical:		
Ifenprodil preclinical and manufacture	$ 116,802	$ 503,821
Oncology preclinical	49,535	23,900
NASH preclinical	12,468	-
	$ 178,805	$ 527,721
DMT	$ 398,501	$ -
QA Consulting	$ 1,954	$ 2,786
Management and Ad Hoc scientific support	$ 212,293	$ 248,625
Total	$ 6,760,043	$ 3,620,842
Less: Australian R&D Tax Credit	($ 1,897,019)	($ 929,301)
Less: Canadian NRC Research Grant	($ 66,012)	($ 16,048)
Total Net Expenses	$ 4,797,012	$ 2,675,493

13. DEBT FORGIVENESS

On November 13, 2019, the Company terminated the research and development agreement with the University of Florida ("UF") with no additional cost on either party. It effectively absolved the Company from paying the quarterly payments that were recorded as payables and accruals at the year ended August 31, 2019. As a result, the Company recognized a debt forgiveness of $137,833 for year ended August 31, 2020.

14. IMPAIRMENT OF RESEARCH LICENSE

The US subsidiary, Breathtec Medical, Inc., prior to its dissolution in February of 2020, made a formal request on January 7, 2020 to terminate the license agreement it held with the University of Florida Research Foundation ("UFRF"). The termination of the license agreement resulted in an impairment loss of $48,689 recognized in the year ended August 31, 2020.

(Expressed in Canadian dollars)

15. RISK AND CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business. The Company currently has no source of revenues, and therefore, is dependent upon external financings to fund activities. In order to carry future projects and pay administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended August 31, 2021. The Company is not subject to externally imposed capital requirements.

16. SEGMENTED DISCLOSURES

The Company is a Canadian clinical stage pharmaceutical development company that operates in two reportable operating segments: the development of repurposed therapeutic drugs in Canada, and the facilitation of the Company's lead drug candidates into off-label phase II clinical trials (humans) in Australia. All of the Company's expenditures are incurred in both Canada and Australia. Geographical information of the Company's long-term assets are as follows:

As at August 31, 2021, the Company's long-term assets are located as follows:

	Canada	Australia	Total
Restricted cash equivalents	$ 57,500	$ -	$ 57,500
Intangible assets	5,170,871	-	5,170,871
	$ 5,228,371	$ -	$ 5,228,371

As at August 31, 2020, the Company's long-term assets were located as follows:

	Canada	Australia	Total
Restricted cash equivalents	$ 57,500	$ -	$ 57,500
Intangible assets	5,028,243	-	5,028,243
	$ 5,085,743	$ *	$ 5,085,743

Units, each consisting of one Common Share and [●] Warrant to purchase one Common Share

(and Common Shares underlying the Warrants)

$[●]

ALGERNON PHARMACEUTICALS INC.

[●] Units

PROSPECTUS

Sole Book-Running Manager

Ladenburg Thalmann

January [●], 2022

We have not authorized any dealer, salesperson or other person to give any information or represent anything not contained in or incorporated by reference into this prospectus. You must not rely on any unauthorized information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not offer to sell any shares in any jurisdiction where it is unlawful. Neither the delivery of this prospectus, nor any sale made hereunder, shall create any implication that the information in this prospectus is correct after the date hereof.

Dealer Prospectus Delivery Obligation

Until [_____], 2022 (___ days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6. INDEMINFICATION OF DIRECTORS AND OFFICERS

The corporate laws of British Columbia allow us, and our Articles require us (subject to the provisions of the*Business Corporations Act* (British Columbia) (the "**Business Corporations Act**") note below), to indemnify our directors and former directors, and their respective heirs and personal or other legal representatives to the greatest extent permitted by Division 5 of Part 5 of the Business Corporations Act.

According to the Business Corporations Act, for the purposes of such an indemnification:

"**eligible party**", in relation to the Company, means an individual who:

(a) is or was a director or officer of the Company;

(b) is or was a director or officer of another corporation:

(i) at a time when the corporation is or was an affiliate of the Company; or

(ii) at the request of the Company; or

(c) at the request of the Company, is or was, or holds or held a position equivalent to that of, a director or officer of a partnership, trust, joint venture or other unincorporated entity,

and include/es, except in the definition of "eligible proceeding" and certain other cases, the heirs and personal or other legal representatives of that individual;

"**eligible penalty**" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

"**eligible proceeding**" means a proceeding in which an eligible party or any of the heirs and personal or other legal representatives of the eligible party, by reason of the eligible party being or having been a director or officer of, or holding or having held a position equivalent to that of a director or officer of, the Company or an associated corporation:

(a) is or may be joined as a party; or

(b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

"**expenses**" includes costs, charges and expenses, including legal and other fees, but does not include judgments, penalties, fines or amounts paid in settlement of a proceeding; and

"**proceedin**g" includes any legal proceeding or investigative action, whether current, threatened, pending or completed.

In addition, under the Business Corporations Act, the Company may pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an eligible party in respect of that proceeding, provided that the Company first receives from the eligible party a written undertaking that, if it is ultimately determined that the payment of expenses is prohibited by the restrictions noted below, the eligible party will repay the amounts advanced.

Notwithstanding the provisions of our Articles noted above, the Company must not indemnify an eligible party or pay the expenses of an eligible party, if any of the following circumstances apply:

(a) if the indemnity or payment is made under an earlier agreement to indemnify or pay expenses and, at the time that the agreement to indemnify or pay expenses was made, the company was prohibited from giving the indemnity or paying the expenses by its memorandum or articles;

(b) if the indemnity or payment is made otherwise than under an earlier agreement to indemnify or pay expenses and, at the time that the indemnity or payment is made, the company is prohibited from giving the indemnity or paying the expenses by its memorandum or articles;

(c) if, in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of the company or the associated corporation, as the case may be; and

(d) in the case of an eligible proceeding other than a civil proceeding, if the eligible party did not have reasonable grounds for believing that the eligible party's conduct in respect of which the proceeding was brought was lawful.

In addition, if an eligible proceeding is brought against an eligible party by or on behalf of the Company or by or on behalf of an associated corporation, the Company must not do either of the following:

(a) indemnify the eligible party in respect of the proceeding; or

(b) pay the expenses of the eligible party in respect of the proceeding.

Notwithstanding any of the foregoing, and whether or not payment of expenses or indemnification has been sought, authorized or declined under the Business Corporations Act or our Articles, on the application of the Company or an eligible party, the British Columbia Supreme Court may do one or more of the following:

(a) order the Company to indemnify an eligible party against any liability incurred by the eligible party in respect of an eligible proceeding;

(b) order the Company to pay some or all of the expenses incurred by an eligible party in respect of an eligible proceeding;

(c) order the enforcement of, or any payment under, an agreement of indemnification entered into by the Company;

(d) order the Company to pay some or all of the expenses actually and reasonably incurred by any person in obtaining an order under this section;

(e) make any other order the court considers appropriate.

ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES

In the past three years, we have issued and sold the securities described below without registering the securities under the Securities Act. None of these transactions involved any underwriters' underwriting discounts or commissions, or any public offering. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S promulgated under the Securities Act regarding sales by an issuer in offshore transactions, Regulation D under the Securities Act, Rule 701 under the Securities Act or pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering.

Subsequent to the fiscal year ended August 31, 2021

On January 1, 2022, we granted 96,000 stock options with an exercise price of $4.10 per share, which options will expire on January 1, 2027 at an exercise price of $4.10 per share.

A total of 23,750 unexercised incentive stock options were forfeited, 11,000 with exercise prices of $10.00, 10,500 with exercise prices of $29.00, 500 with exercise prices of $30.00 and 1,750 with exercise prices of $48.00.

During the fiscal year ended August 31, 2021

March 2021 Offering of Units

On March 5, 2021, the Company completed a non-brokered private placement of 112,600 units of the Company at a price of $25.00 per unit for gross proceeds of $2,815,010 (the "**March 2021 Offering**"). Each unit was comprised of one Common Share and one unlisted Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to purchase one additional Common Share until March 5, 2023 at a purchase price of $40.00 per Common Share.

In connection with the private placement, the Company issued a total of 6,456 finder's warrants, being 8% of the number of units sold under the March 2021 Offering to purchasers introduced by eligible finders. Each finders' warrant entitles the holder to purchase one Common Share at a price of $40.00 per Common Share until March 5, 2023. The Company also paid cash finders fees in the aggregate amount of $121,400, being 8% of the aggregate proceeds raised from the sale of units to purchasers introduced by the eligible finders.

Restricted Share Units

21,825 common shares were issued net of withholding taxes in settlement of the 28,710 RSU that were settled. The RSUs were granted on July 23, 2020 with a fair value of $35.00 per RSU. The total gross fair value of the vested RSUs was $1,012,814. A total of 6,885 common shares were withheld in lieu of withholding taxes in the amount of $214,977. The fair value of the common shares issued was $797,837.

Warrants and Stock Options

There were no stock options granted by the Company during the year ended August 31, 2021.

A total of 148,675 common shares were issued in connection with the exercise of tradeable and non-tradeable warrants.

72,568 common shares were issued in connection with the exercise of 72,568 tradeable warrants at a price of $12.00 per tradeable warrant for gross proceeds of $870,810. The fair value allocated to these warrants on issuance of $129,858 was reclassified from reserves to share capital.

76,107 common shares were issued in connection with the exercise of 76,107 non-tradeable warrants at a price of $12.00 per non-tradeable warrant for gross proceeds of $913,289. The fair value allocated to these warrants on issuance of $154,027 was reclassified from reserves to share capital.

3,138 common shares were issued in connection with the exercise of 3,138 agent warrant units at a price of $8.50 per unit for gross proceeds of $26,668. The fair value allocated to the share component of these units on issuance of $7,376 was reclassified from reserves to share capital.

5,250 common shares were issued in connection with the exercise of 5,250 stock options at $10.00 per share for gross proceeds of $52,500. The fair value allocated to these stock options on issuance of $36,396 was reclassified from reserves to share capital

During the fiscal year ended August 31, 2020

Private Placement of Special Warrants and Short Form Prospectus Qualification

On May 13, 2020, the Company completed a private placement of 196,053 special warrants of the Company (the "**Special Warrants**") at a price of $35.00 per Special Warrant for gross proceeds of $6,861,850 (the "**Special Warrant Financing**"). Each Special Warrant is exercisable, for no additional consideration at the option of the holder, into one unit of the Company (a "**Special Warrant Unit**"). Each Special Warrant Unit is comprised of one Common Share and one Common Share purchase warrant. Each whole Common Share purchase warrant will entitle the holder to purchase one Common Share at an exercise price of $55.00 per Common Share until May 13, 2022. If, at any time after the Qualification Date (as defined below) and prior to the expiry date of the Common Share purchase warrants, the volume weighted average trading price of the Common Shares on the CSE, or other principal exchange on which the Common Shares are listed, is greater than $100.00 for 10 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the holders of Common Share purchase warrants accelerating the Expiry Date to the date that is 30 days following the date of such notice.

All unexercised Special Warrants will be automatically exercised, without payment of additional consideration, on the date (the "**Qualification Date**") that is the earlier of: (i) four months and a day following May 13, 2020; and (ii) three business days following the date on which receipt is issued by the British Columbia Securities Commission for a final short form prospectus qualifying the distribution of the underlying the Special Warrants Units. In the event the Qualification Date has not occurred prior to 5:00 p.m. on the date that is 35 days from May 13, 2020, each unexercised Special Warrant will thereafter entitle holders thereof to receive upon the exercise or deemed exercise thereof, for no additional consideration, 1.10 Units in lieu of one (1) Unit and thereafter at the end of each additional 30 day period prior to the Qualification Date, each Special Warrant will be exercisable for an additional 0.0002 of a Unit.

In connection with the Special Warrant Financing, the Company paid Mackie Research Capital Corporation ("**Mackie**"), the sole agent and book-runner, and a syndicate of sub-agents, a cash fee of $526,853, equal to 8% of the gross proceeds from the sale of the Special Warrants, subject to a reduced fee of 4% for Special Warrants issued to President's list purchasers. As additional compensation, the Company also issued an aggregate of 15,053 non-transferable compensation options, entitling the holder to acquire one Special Warrant Unit at an exercise price of $35.00 per Special Warrant Unit until May 13, 2022.

On June 11, 2020, the Company filed a short form prospectus with Canadian Securities Administrators in the Provinces of British Columbia, Alberta, Manitoba and Ontario to qualify the distribution of the Special Warrants. The Special Warrants were deemed converted into Special Warrant Units on June 17, 2020. Including the cash fee of $526,853 paid to Mackie, total share issue costs paid in cash related to this Special Warrants offering was $747,228.

February 2020 Offering of Units

On February 20, 2020, the Company completed a non-brokered private placement of 183,049 units at a price of $8.50 per unit for gross proceeds of $1,555,920 (the "**February 2020 Offering**"). Each unit was comprised of one Common Share and one unlisted Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to purchase one additional Common Share until August 20, 2022 at a purchase price of $12.00 per Common Share.

As compensation, the Company issued a total of 9,696 finder's warrants, being 8% of the number of units sold under the February 2020 Offering to purchasers introduced by such finders. Each finder warrant entitles the holder to purchase one unit of the Company at a price of $8.50 per unit until August 20, 2022. Each unit consists of one Common Share and one unlisted Common Share purchase warrant entitling the holder to acquire an additional Common Share at the price of $12.00 per Common Share. The Company also paid a cash commission to certain finders in the aggregate amount of $82,413, being 8% of the aggregate proceeds raised under the February 2020 Offering. Including this cash commission paid to the finders, total share issue costs paid in cash related to this February 2020 Offering was $101,589.

November 2019 Offering of Units

On November 1, 2019, the Company completed a public offering of units by way of short form prospectus in Canada (the "**November 2019 Offering**"). Pursuant to the November 2019 Offering, the Company issued 244,013 units at the issue price of $8.50 per unit for total gross proceeds of $2,074,110. Each unit was comprised of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to purchase one additional Common Share until May 1, 2022 at a purchase price of $12.00 per Common Share. The expiry date of the warrants was accelerated to January 21, 2021 resulting in the expiration of a total of 2,272 warrants. These Common Share purchase warrants were listed and posted for trading on the CSE under the symbol AGN.WT.

As compensation, the Company issued 18,011 compensation options to the agents under the November 2019 Offering. Each compensation option entitles the holder to purchase one unit of the Company at a price of $8.50 per unit until May 1, 2022. Each unit consists of one Common Share and one Common Share purchase warrant entitling the holder to acquire an additional Common Share at a purchase price of $12.00 per Common Share. The Company also paid a cash commission in the aggregate amount of $153,092 to a syndicate of agents. Including this cash commission paid to the syndicate of agents, total share issue costs paid in cash related to this November 2019 Offering was $383,987.

Warrants and Stock Options

On February 13, 2020, the Company granted a total of 43,750 incentive stock options to certain directors, officers and consultants of the Company with an exercise price of $10.00 per share. The options expire on February 13, 2025.

On April 13, 2020, the Company granted a total of 45,500 incentive stock options to certain directors, officers and consultants of the Company with an exercise price of $29.00 per share. The options expire on April 13, 2025.

On August 17, 2020, the Company granted a total of 6,000 incentive stock options to certain consultants of the Company with an exercise price of $35.00 per share. The options expire on August 17, 2025.

186,721 common shares were issued in connection with the exercise of 186,721 tradeable warrants at a price of $12.00 per tradeable warrant for gross proceeds of $2,240,657. The value allocated to these warrants when issued, $334,133, was reclassified from reserves to share capital.

75,159 common shares were issued in connection with the exercise of 75,159 non-tradeable warrants at a price of $12.00 per non-tradeable warrant for gross proceeds of $901,912. The value allocated to these warrants when issued, $152,108, was reclassified from reserves to share capital

24,189 common shares were issued in connection with the exercise of 24,189 Agent Warrant Units at a price of $8.50 per unit for gross proceeds of $205,604. The value allocated to the share component of these units when issued, $52,123, was reclassified from reserves to share capital.

750 common shares were issued in connection with the exercise of 750 stock options at a weighted average exercise price of $17.00 per stock option for gross proceeds of $12,500. The value allocated to these stock options when issued, $7,849, was reclassified from reserves to share capital.

During the fiscal year ended August 31, 2019

Private Placement of Units

On October 23, 2018, the Company completed a non-brokered private placement of 20,833 units at a price of $24.00 per unit for gross proceeds of $500,000. Each unit was comprised of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to purchase one additional Common Share until October 23, 2020 at a purchase price of $50.00 per Common Share.

In connection with the private placement, the Company paid a cash commission in the aggregate amount of $1,263, being 8% of the aggregate proceeds raised from the sale of units to purchasers introduced by eligible finders. In addition, the Company issued finder's warrants to acquire a total of 53 Common Shares, being 8% of the number of units sold under the private placement to purchasers introduced by such finders. Each finders' warrant entitles the holder to purchase one Common Share at a price of $50.00 per Common Share until October 23, 2020. On October 23, 2020, all of the warrant and finder's warrants issued pursuant to this offering expired unexercised.

Acquisition of Nash Pharma

On October 19, 2018, the Company issued 158,000 common shares in connection with the acquisition of Nash Pharma. The Company also issued 148,000 replacement warrants which were valued using a Black-Scholes option pricing model on the date of acquisition. The fair value was determined to be $1,380,409.

Warrants and Stock Options

There were no stock options granted by the Company during the year ended August 31, 2019.

5,125 common shares were issued in connection with the exercise of 5,125 warrants at a price of $30.00 per warrant for gross proceeds of $153,750. The value allocated to these warrants when issued $32,636 was reclassified from reserves to share capital.

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following exhibits are filed with this registration statement

Exhibit No.	Description
1.1	Form of Underwriting Agreement*
3.1	Notice of Articles (1)
3.2	Articles of Incorporation (1)
4.1	Form of Common Share Certificate*
4.2	Form of Warrant Certificate*
4.3	Form of Warrant Agency Agreement*

4.4	Form of Compensation Warrant*
5.1	Opinion of McMillan LLP*
5.2	Opinion of Dorsey & Whitney LLP*
10.1	Share Exchange Agreement among Algernon Pharmaceuticals Inc., Nash Pharmaceuticals Inc. and the security holders of Nash Pharmaceuticals Inc., dated October 5, 2018 ł(2)
10.2	Agency Agreement among Mackie Research Capital Corporation and Algernon Pharmaceuticals Inc., dated September 30, 2019(2)
10.3	Warrant Indenture among Algernon Pharmaceuticals Inc. and AST Trust Company (Canada), dated November 1, 2019(2)
10.4	Agency Agreement among Mackie Research Capital Corporation and Algernon Pharmaceuticals Inc., dated May 13, 2020(2)
10.5	Special Warrant Indenture among Algernon Pharmaceuticals Inc. and AST Trust Company (Canada), dated May 13, 2020(2)
10.6	Warrant Indenture among Algernon Pharmaceuticals Inc. and AST Trust Company (Canada), dated May 13, 2020(2)
10.7	Executive Employment Agreement between Algernon Pharmaceuticals Inc. and Christopher J. Moreau, dated effective September 1, 2020(2)
10.8	Executive Employment Agreement between Algernon Pharmaceuticals Inc. and Dr. Christopher Bryan, dated effective March 1, 2021 ł(2)
10.9	Intellectual Property License Agreement among Dartmouth College and Algernon Pharmaceuticals Inc., dated August 6, 2021ł(2)
10.10	Executive Employment Agreement between Algernon Pharmaceuticals Inc. and James Kinley, dated effective December 1, 2021ł(2)
14.1	Code of Business Conduct and Ethics (1)
23.1	Consent of Smythe LLP*
23.2	Consent of McMillan LLP* (contained in exhibit 5.1)
99.1	Audit Committee Charter (1)
99.2	Compensation Committee Charter (1)
99.3	Nominating and Corporate Governance Committee Charter (1)

Notes:

* To be filed by amendment

ł portions of this exhibit have been omitted

(1) Previously filed

(2) Filed herewith

ITEM 9. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales of securities are being made, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) Reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) Include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post- effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the Registrant includes in the prospectus, by means of a post- effective amendment, financial statements required pursuant to this paragraph (4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of Regulation S- X if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described herein, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(6) Each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe it meets all of the requirements for filing on Form F-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Vancouver, Province of British Columbia, Canada on this [●] day of [●], 2022.

ALGERNON PHARMACEUTICALS INC.
(Registrant)

By: _____
Christopher Moreau, Director and Chief Executive Officer (Principal Executive Officer)

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christopher Moreau as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
Christopher Moreau	Director and Chief Executive Officer (Principal Executive Officer)	[●], 2022
James Kinley	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	[●], 2022
Raj Attariwala	Director	[●], 2022
David Levine	Director	[●], 2022
Harry Bloomfield	Director	[●], 2022
Mark Williams	Director	[●], 2022

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of America, has signed this registration statement or amendment thereto in the City of [●], State of [●], on [●], 2022.

PUGLISI & ASSOCIATES

By: _____

Name: [●]
Title: [●]

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

SHARE EXCHANGE AGREEMENT

THIS SHARE EXCHANGE AGREEMENT is made effective the 26th day of September, 2018.

AMONG:

BREATHTEC BIOMEDICAL, INC.,
a corporation existing under the laws of the Province of British Columbia, having an office at Suite 915 - 700 West Pender Street, Vancouver, British Columbia V6C 1G8

(hereinafter referred to as the "**Purchaser**")

- and -

NASH PHARMACEUTICALS INC.
a corporation existing under the laws of the Province of British Columbia, having an office at 179 McDermot Avenue, Winnipeg, Manitoba R3B 0S1

(hereinafter referred to as "**NASH**")

-and-

The common shareholders of NASH listed in the attached Schedule "A" (which shareholders, together, if applicable, with any persons that become shareholders of NASH prior to Closing, hereinafter collectively referred to as, the "**Shareholders**", and individually as, a "**Shareholder**")

-and-

The warrantholders of NASH listed in the attached Schedule "B" (hereinafter collectively referred to as, the "**Warrantholders**", and individually as, a "**Warrantholder**")

WHEREAS:

A. The Shareholders are collectively the legal and beneficial owners of all of the issued and outstanding common shares (the "**NASH Shares**") in the capital of NASH;

B. The Purchaser has agreed to purchase all of the outstanding NASH Shares (the "**Transaction**") on the terms and conditions set forth in this Agreement; and

C. The Securityholders (as defined below) who have executed this Agreement have agreed to the Transaction.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the respective covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I
INTERPRETATION

1.01 Definitions

In this Agreement, unless otherwise defined, capitalized words and terms shall have the following meanings:

(a) "**Agreement**" means this share exchange agreement as the same may be supplemented or amended from time to time;

(b) "**Alternative Transaction**" means any of the following (and excludes the transactions contemplated by this Agreement): (a) any merger, amalgamation, arrangement, share exchange, take-over bid, tender offer, recapitalization, consolidation or other business combination directly or indirectly involving NASH or the Purchaser, or any analogous transaction whereby NASH or the Purchaser becomes directly or indirectly publicly listed; (b) any acquisition of all or substantially all of the assets of NASH or the Purchaser (or any lease, long-term supply agreement, exchange, mortgage, pledge or other arrangement having a similar economic effect); (c) any acquisition of beneficial ownership of 50% or more of NASH's or the Purchaser's common shares in a single transaction or a series of related transactions; (d) any acquisition by NASH or the Purchaser of any assets or capital stock of another person (other than acquisitions of capital stock or assets of any other person that are not, individually or in the aggregate, material to NASH or he Purchaser); or (e) any bona fide proposal to, or public announcement of an intention to, do any of the foregoing on or before the Termination Date;

(c) "**Applicable Laws**" means all applicable rules, policies, notices, orders and legislation of any kind whatsoever of any Governmental Authority having jurisdiction over the transactions contemplated hereby;

(d) "**BCBCA**" means the *Business Corporations Act* (British Columbia);

(e) "**Books and Records**" means all technical, business and financial records, financial books and records of account, books, data, reports, files, lists, drawings, plans, logs, briefs, customer and supplier lists, deeds, certificates, contracts, surveys, title opinions or any other documentation and information in any form whatsoever (including written, printed, electronic or computer printout form) relating to a corporation and its business;

(f) "**Business Day**" means a day which is not a Saturday, Sunday or a statutory holiday in the Province of British Columbia;

(g) "**Closing**" means the completion of the Transaction in accordance with the terms and conditions of this Agreement;

(h) "**Closing Date**" means the date of Closing, which shall be the fifth Business Day following the satisfaction or waiver of all conditions to the obligations of the parties to consummate the Transaction (other than conditions that are satisfied with respect to actions the respective parties will take at the Closing itself), or such other date as the parties may mutually determine;

(i) "**Common Shares**" means common shares without par value in the capital of the Purchaser;

(j) "**Consolidation**" means the consolidation of the issued and outstanding Common Shares on the basis of one (1) "new" Common Share for every two (2) pre-consolidation Common Shares issued and outstanding;

(k) "**Contracts**" (individually, a "**Contract**") means all written or oral outstanding contracts and agreements, leases (including the real property leases), third-party licenses, insurance policies, deeds, indentures, instruments, entitlements, commitments, undertakings and orders made by or to which a party is bound or under which a party has, or will have, any rights or obligations and includes rights to use, franchises, license and sub-licenses agreements and agreements for the purchase and sale of assets or shares;

(l) "**Corporate Records**" means the corporate records of a corporation, including (i) its articles, notice of articles or other constating documents, any unanimous shareholders agreement and any amendments thereto; (ii) all minutes of meetings and resolutions of shareholders, directors and any committee thereof; (iii) the share certificate books, register of shareholders, register of transfers and registers of directors and officers; and (iv) all accounting records;

(m) "**CSE**" means the Canadian Securities Exchange, operated by the CNSX Markets Inc.;

(n) "**Disclosed**" means, in the case of the Shareholders and NASH, fairly disclosed (with sufficient details to identify the nature and scope of the matter disclosed) in the Disclosure Letter, and, in the case of the Purchaser, fairly disclosed in writing to NASH prior to the date of this Agreement (with sufficient details to identify the nature and scope of the matter disclosed);

(o) "**Disclosure Letter**" means a letter of even date with this Agreement from NASH to the Purchaser that is described as the 'Disclosure Letter';

(p) "**GAAP**" means generally accepted accounting principles in Canada (and, if applicable, includes International Financial Reporting Standards);

(q) "**Governmental Authority**" means any (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign, or (b) regulatory authority, including any securities commission, or stock exchange, including the CSE;

(r) "**IP**" means any and all intellectual property or proprietary rights arising at law or in equity, including, without limitation, (i) patents, all patent rights and all patent rights and all applications therefor and all reissues, re-examinations, continuations, continuations- in-part, divisions, and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, mask works and mask work registrations and applications therefor, author's rights and works of authorship, (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary and manufacturing processes, technology, formulae, and algorithms, (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, (vii) industrial designs or design patents, whether or not patentable or registrable, patented or registered or the subject of applications for registration or patent or registration and all rights of priority, applications, continuations, continuations-in-part, divisions, re-examinations, reissues and other derivative applications and patents therefor, (viii) licenses, contacts and agreements otherwise relating to the IP, and (ix) the goodwill symbolized or represented by the foregoing;

(s) "**laws**" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by- laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the person referred to in the context in which such word is used; and "**law**" means any one of them;

(t) "**Lien**" means any mortgage, encumbrance, charge, pledge, hypothecation, security interest, assignment, lien (statutory or otherwise), charge, title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature or any other arrangement or condition, which, in substance, secures payment, or performance of an obligation;

(u) "**Material Adverse Effect**" means (i) any change, effect, fact, circumstance or event which, individually or when taken together with any other changes, effects, facts, circumstances or events, could reasonably be expected to be materially adverse to the assets, liabilities, condition (financial or otherwise), business, properties or results of operation of the Purchaser or NASH, as applicable, or (ii) a material impairment of or delay in the ability of the parties (or any one of them) to perform their obligations hereunder or consummate the Transaction;

(v) "**Material Contract**" means any Contract to which a person is a party and which is material to such person, including any Contract: (i) the termination of which would have a Material Adverse Effect on such person; (ii) any contract which would result in payments to or from such person or its subsidiaries (if any) in excess of $25,000, whether payable in one payment or in successive payments; (iii) any agreement or commitment relating to the borrowing of money or to capital expenditures; and (iv) any agreement or commitment not entered into in the ordinary course of business;

(w) "**material fact**" shall have the meaning ascribed to it in the *Securities Act* (British Columbia);

(x) "**Maturity Date**" has the meaning set forth in Section 3.06(b);

(y) "**misrepresentation**" shall have the meaning ascribed to it in the *Securities Act* (British Columbia);

(z) "**NASH Board**" means the board of directors of NASH;

(aa) "**NASH Shares"** has the meaning set forth in the recitals of this Agreement;

(bb) "**NASH Material Contracts**" has the meaning set forth in Section 6.03(i);

(cc) "**NASH Shareholder Consent Agreement**" means the consent agreement to be entered into between the Purchaser and each New NASH Shareholder by the Time of Closing, substantially in the form attached hereto as Schedule "B";

(dd) "**New NASH Shareholder**" has the meaning set forth in Section 2.01;

(ee) "**Non-Resident Securityholders**" means those Securityholders identified in the attached Schedule "A" as being non-residents of Canada for the purposes of the Tax Act;

(ff) "**Payment Shares**" has the meaning set forth in Section 2.02;

(gg) "**person**" includes an individual, sole proprietorship, partnership, limited partnership, unincorporated association or organization, unincorporated syndicate, body corporate, trust, trustee, executor, administrator, legal representative of the Crown or any agency or instrumentality thereof;

(hh) "**Purchased Shares**" means all of the NASH Shares purchased by the Purchaser pursuant to this Agreement;

(ii) "**Purchaser Board**" means the board of directors of the Purchaser;

(jj) "**Purchaser Financial Statements**" has the meaning set forth in Section 6.01(o);

(kk) "**Purchaser Material Contracts**" has the meaning set forth in Section 6.01(v);

(ll) "**Purchaser Shareholders**" means the holders of Common Shares;

(mm) "**Regulation D**" means Regulation D under the U.S. Securities Act;

(nn) "**Regulation S**" means Regulation S under the U.S. Securities Act;

(oo) "**Replacement Warrants**" has the meaning set forth in Section 2.03;

(pp) "**Resulting Issuer**" means the resulting issuer after the business combination of the Purchaser and NASH;

(qq) "**Securities Laws**" means the securities legislation having application, the regulations and rules thereunder and all administrative policy statements, instruments, blanket orders, notices, directions and rulings issued or adopted by the applicable securities regulatory authority, all as amended;

(rr) "**Securityholders**" means the Shareholders and Warrantholders;

(ss) "**SEDAR**" means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;

(tt) "**Shareholders**" and "**Shareholder**" have the respective meanings set forth in the first page of this Agreement;

(uu) "**Tax**" means any tax, impost, levy, withholding, duty, fee, premium, assessment and other charge of any kind, however denominated and any instalment or advance payment in respect thereof, including any interest, penalties, fines or other additions that have been, are or will become payable in respect thereof, imposed by any Governmental Authority, including for greater certainty any income, gain or profit tax (including federal, state, provincial and territorial income tax), payroll and employee withholding tax, employment or payroll tax, unemployment insurance, disability tax, social insurance tax, social security contribution, sales and use tax, consumption tax, customs tax, ad valorem tax, excise tax, goods and services tax, harmonized sales tax, franchise tax, gross receipts tax, capital tax, business license tax, alternative minimum tax, estimated tax, abandoned or unclaimed (escheat) tax, occupation tax, real and personal property tax, stamp tax, environmental tax, transfer tax, severance tax, workers' compensation, Canada and other government pension plan premium or contribution and other governmental charge, and other obligations of the same or of a similar nature to any of the foregoing, together with any interest, penalties or other additions to tax that may become payable in respect of such tax, and any interest in respect of such interest, penalties and additions whether disputed or not, and "**Taxes**" has a corresponding meaning;

(vv) "**Tax Act**" means the *Income Tax Act* (Canada);

(ww) "**Tax Return**" means all returns, declarations, designations, forms, schedules, reports, elections, notices, filings, statements (including withholding tax returns and reports and information returns and reports) and other documents of every nature whatsoever filed or required to be filed with any Governmental Authority with respect to any Tax together with all amendments and supplements thereto;

(xx) "**Termination Date**" means October 31, 2018, or such later date as may be agreed in writing between the Purchaser and NASH;

(yy) "**Time of Closing**" means 10:00 a.m. (Vancouver time) on the Closing Date, or such other time as the parties may mutually determine;

(zz) "**Transaction**" has the meaning set forth in the recitals of this Agreement;

(aaa) "**United States**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

(bbb) "**U.S. Person**" means a U.S. person as defined in Rule 902(k) of Regulation S under the U.S. Securities Act;

(ccc) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended;

(ddd) "**U.S. Securityholder**" means (i) a U.S. Person, (ii) any person who receives or received an offer of the Payment Shares while in the United States; (iii) any person acquiring the Payment Shares on behalf of, or for the account or benefit of any U.S. Person or any person in the United States, or (iv) any person who is or was in the United States at the time when such person executed or delivered this Share Exchange Agreement;

(eee) "**Warrants**" means common share purchase warrants to acquire up to 14,800,000 NASH Shares; and

(fff) "**Warrantholder**" and "**Warrantholders**" means those holders of Warrants.

1.02 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.03 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, any reference in this Agreement to an Article, Section or a Schedule or Exhibit refers to the specified Article or Section of, or Schedule or Exhibit to this Agreement.

1.04 Number, etc.

Unless the subject matter or context requires the contrary, words importing the singular number only shall include the plural and vice versa; words importing the use of any gender shall include all genders and words importing persons shall include natural persons, firms, trusts, partnerships and corporations.

1.05 Date for Any Action

In the event that any date on which any action is required or permitted to be taken hereunder by any person is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.06 Statutory References

Any reference in this Agreement to a statute includes all regulations and rules made thereunder, all amendments to such statute in force from time to time and any statute, regulation or rule that supplements or supersedes such statute, regulation or rule.

1.07 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the International Financial Reporting Standards or the Canadian generally accepted accounting principles, as applicable, approved by the International Accounting Standards Board or the Canadian Institute of Chartered Accountants, as the case may be, or any successor thereto, applicable as at the date on which a calculation is made or required to be made in accordance with generally accepted accounting principles.

1.08 Knowledge

(a) Any reference herein to "the knowledge of the Purchaser" (or similar expressions) will be deemed to mean the actual knowledge of any director of the Purchaser, together with the knowledge such person would have had if they had conducted a diligent inquiry into the relevant subject matter.

(b) Any reference herein to "the knowledge of NASH" (or similar expressions) will be deemed to mean the actual knowledge of Dr. Mark Willaims, Chief Executive Officer of NASH, together with the knowledge such person would have had if they had conducted a diligent inquiry into the relevant subject matter.

(c) Any reference herein to "the knowledge of the Shareholder" (or similar expressions) will be deemed to mean the actual knowledge of the applicable Shareholder, together with the knowledge such person would have had if they had conducted a diligent inquiry into the relevant subject matter.

1.09 Schedules

The schedules to this Agreement, listed below, are an integral part of this Agreement, and must be completed and attached before the Closing Date for this Agreement to be fully-integrated and thereafter enforceable by or against either Party:

Schedule	Description
Schedule A	Shareholders of NASH
Schedule B	Warrantholders of NASH
Schedule C	NASH Shareholder Consent Agreement
Schedule D	U.S. Representation Letter for U.S. Securityholders

ARTICLE II
PURCHASE AND SALE OF PURCHASED SHARES

2.01 Purchase and Sale

Subject to the terms and conditions hereof, each of the Shareholders covenants and agrees to sell, assign and transfer to the Purchaser and the Purchaser covenants and agrees to purchase from the Shareholders, the number of Purchased Shares which are beneficially owned by such Shareholder at the Time of Closing. As of the date of this Agreement, the number of Purchased Shares which are beneficially owned by each Shareholder is the number set forth opposite the name of such Shareholder as set out in Schedule "A" attached hereto.

It is acknowledged and agreed that, prior to Closing, the Shareholders may transfer some or all of their NASH Shares to a trustee or nominee shareholder (the **New NASH Shareholder**") (while retaining beneficial ownership) as part of personal tax planning and the Purchaser shall be notified in writing of any such transfer not less than five (5) Business Days prior to Closing, on condition that such transferring Shareholder obtains the consent and agreement of the New NASH Shareholder to the Transaction evidenced by the execution and delivery by such New NASH Shareholder of a NASH Shareholder Consent Agreement in the form attached as Schedule "C" hereto. The parties agree that the New NASH Shareholder shall become a party to and be bound by this Agreement holding the NASH Shares previously registered in the name of the transferor of those Purchased Shares.

In addition, for greater certainty, if any Shareholder, may acquire any additional NASH Shares (for example, from another Shareholder that might not be a party to this Agreement, or with the consent of the Purchaser), such additional NASH Shares so acquired shall form part of the Purchased Shares and the applicable Shareholder covenants and agrees to sell, assign and transfer to the Purchaser and the Purchaser covenants and agrees to purchase from such Shareholder the additional NASH Shares held by such Shareholder so acquired, in addition to the Purchased Shares described in Schedule "A".

2.02 Purchase Price

In consideration for the acquisition of the NASH Shares, the Purchaser shall issue from treasury to the Shareholders pro rata in proportion to their holdings of Purchased Shares at the Time of Closing, an aggregate of 15,800,000 Common Shares, free and clear of any encumbrances (the "**Payment Shares**"). To the extent a NASH Shareholder is to receive a fractional Payment Share, that entitlement shall be rounded down to the nearest whole number and no consideration shall be payable therefore. The Payment Shares are being issued on a post-Consolidation basis at a deemed value of $0.24 per Payment Share.

2.03 Convertible Securities

At the Time of Closing, NASH may have up to 14,800,000 warrants outstanding (the "**Warrants**"). At the Time of Closing, each of the Warrantholders shall dispose of their respective right to acquire NASH Shares under the outstanding Warrant held by such Warrantholder at that time and those outstanding Warrants shall be deemed immediately cancelled. In consideration for the disposition by a Warrantholder of each right to acquire one NASH Share under a Warrant, the Warrantholder shall receive the right to acquire one post-Consolidation Common Share (each a "**Replacement Warrant**" and collectively, the "**Replacement Warrants**"), rounded down to the nearest whole number of Common Shares. The exercise price under each Replacement Warrant will be equal to the exercise price at the Closing Time under the particular Warrant that was cancelled in consideration for such Replacement Warrant and the expiration date for each Replacement Warrant will be the same date as the expiration date of such Warrant.

2.04 Tax Election

The Purchaser agrees that, at the request and expense of any Shareholder who is resident in Canada for the purposes of the Tax Act, the Purchaser shall jointly elect with the Shareholder for the provisions of subsection 85(1) or (2) of the Tax Act and any equivalent provision under provincial legislation (each a "**Tax Election Provision**") to apply to the Purchased Shares acquired by the Purchaser from the Shareholder. In order to make any such election, the Shareholder shall prepare any prescribed election form (each a "**Tax Election Form**") and deliver any such Tax Election Form to the Purchaser within 90 days of the Closing Date. Upon receipt, the Purchaser shall sign the Tax Election Form and deliver a copy of the Tax Election Form to the Shareholder by mail using the address that the Shareholder provided to the Purchaser in the Tax Election Form within 30 days. It shall be the sole responsibility of the Shareholder making the request to file the Tax Election Form with the Canada Revenue Agency or relevant provincial Governmental Authority. The Purchaser shall not be liable for any damages arising to a Shareholder for a late filing of a Tax Election Form or any errors or omissions on a Tax Election Form.

Notwithstanding anything contained in this Agreement, the Purchaser does not assume and shall not be liable for any taxes under the Tax Act or under provincial legislation or any other amount whatsoever which may be or become payable by Shareholders including, without limiting the generality of the foregoing, any Tax resulting from or arising as a consequence of the sale by Shareholders to the Purchaser of the Purchased Shares herein contemplated, or the availability (or lack thereof) of any Tax Election Provision, or the content or impact of any election made under any Tax Election Provision.

2.05 Restrictions on Resale

Each of the Securityholders acknowledges and agrees as follows:

(a) the transfer of the Purchased Shares and the issuance of the Payment Shares, in exchange therefor, and the issuance of the Replacement Warrants, will be made pursuant to appropriate exemptions (the "**Exemptions**") from the formal takeover bid and registration and prospectus (or equivalent) requirements of the Securities Laws;

(b) that the CSE, in addition to any restrictions on transfer imposed by applicable securities laws, may require certain of the Payment Shares and Replacement Warrants to be held in escrow in accordance with the policies of the CSE;

(c) as a consequence of acquiring the Payment Shares or Replacement Warrants pursuant to the Exemptions:

(i) the Securityholder will be restricted from using certain of the civil remedies available under the Securities Laws;

(ii) the Securityholder may not receive information that might otherwise be required to be provided to the Securityholder, and the Purchaser is relieved from certain obligations that would otherwise apply under Securities Laws if the Exemptions were not being relied upon by the Purchaser;

(iii) no securities commission, stock exchange or similar regulatory authority has reviewed or passed on the merits of an investment in the Payment Shares or Replacement Warrants;

(iv) there is no government or other insurance covering the Payment Shares or Replacement Warrants; and

(v) an investment in the Payment Shares or Replacement Warrants is speculative and of high risk;

(d) although no hold periods are currently expected to be applicable, the certificates representing the Payment Shares and Replacement Warrants will bear such legends as required by Securities Laws and the policies of the CSE and it is the responsibility of the Securityholder to find out what those restrictions are and to comply with them before selling the Payment Shares or Common Shares issuable upon exercise of a Replacement Warrant; and

(e) the Securityholder is knowledgeable of, or has been independently advised as to, the Applicable Laws of that jurisdiction which apply to the sale of the Purchased Shares and Common Shares issuable on exercise of a Replacement Warrants and the issuance of the Payment Shares and Common Shares issuable on exercise of a Replacement Warrants and which may impose restrictions on the resale of such Payment Shares or Common Shares issuable on exercise of a Replacement Warrant in that jurisdiction and it is the responsibility of the Securityholder to find out what those resale restrictions are, and to comply with them before selling the Payment Shares or Common Shares.

2.06 Purchaser Shareholder Approval

(a) If required by a Governmental Authority or Applicable Law, on or before the fifth (5^{th}) Business Day prior to the Termination Date the Purchaser shall obtain the written consent to the Transaction from the shareholders of the Purchaser who hold greater than 50% of the issued and outstanding shares of the Purchaser, in a form and in a manner acceptable to the CSE (the "**Purchaser Shareholder Approval**").

ARTICLE III
CHANGE IN DIRECTORS OF NASH

3.01 New Directors of NASH

Effective at the Closing, NASH shall cause the NASH Board to be restructured, through resignations and appointments, so that it shall consist of the following individuals:

(a) Michael Sadhra;

(b) Raj Attariwala; and

(c) David Levine.

forming the NASH Board immediately following Closing. If any of the proposed directors are not acceptable to the CSE or are otherwise unable to act as directors of NASH following Closing, the Parties shall have the sole right to nominate other nominees to the NASH Board following Closing.

3.02 New Officers of NASH

Effective at the Closing, the officers of NASH following the Transaction will be determined by the reconstituted NASH Board and the Purchaser and NASH agree to take such commercially reasonable action as permitted under Applicable Laws such that the senior officers of NASH after Closing are constituted of the following individuals:

(a) Christopher Moreau, as Chief Executive Officer; and

(b) Michael Sadhra, as Chief Operating Officer and Corporate Secretary.

3.03 PIFs

If required by the CSE, NASH shall deliver to the Purchaser (for further delivery by the Purchaser to the CSE) a CSE Form 2A - *Personal Information/Consent Form* duly completed by each of the proposed directors and officers and identified above, on or before the Closing Date.

ARTICLE IV
CONDITIONS OF CLOSING

4.01 Mutual Conditions of Closing

The obligations to complete the Transaction are subject to the fulfillment of the following conditions on or before the Time of Closing:

(a) there shall be no action taken under any applicable law by any court or Governmental Authority that makes it illegal or restrains, enjoins or prohibits the Transaction, results in a judgment or assessment of damages relating to the Transaction that is materially adverse to the Purchaser or NASH or that could reasonably be expected to impose any condition or restriction upon the Purchaser or NASH which, after giving effect to the Transaction, would so materially and adversely impact the economic or business benefits of the Transaction as to render inadvisable the consummation of the Transaction;

(b) there shall be no legislation (whether by statute, regulation, order-in-council, notice of ways and means motion, by-law or otherwise) enacted, introduced or tabled which, in the opinion of the Purchaser, acting reasonably, adversely affects or may adversely affect the Transaction;

(c) receipt of all required regulatory, corporate and third party approvals including CSE approval, if applicable, and compliance with all applicable regulatory requirements and conditions necessary to complete the Transaction

(d) neither party shall be subject to unresolved litigation or court proceedings;

(e) the Consolidation shall have been completed and if necessary, approved by the Purchaser's shareholders;

(f) there being no prohibition at law against the completion of the Transaction; and

(g) the Closing Date shall be on or before the Termination Date.

The foregoing conditions precedent are for the benefit of all Parties and may be waived by NASH (on its own behalf and on behalf of the Securityholders) and the Purchaser, in whole or in part, without prejudice to any Parties right to rely on any other condition in favour of any Party.

4.02 Conditions of Closing in Favour of the Purchaser

The obligations of the Purchaser to complete the Transaction are subject to the fulfillment of the following conditions on or before the Time of Closing:

(a) the Securityholders and NASH shall have tendered all closing deliveries set forth in Sections 5.03 and 5.04, respectively, including delivery of the Purchased Shares, duly endorsed in blank for transfer or accompanied by duly executed stock transfer powers or other evidence of authorizing transfer of the Purchased Shares to the Purchaser acceptable to the Purchaser, acting reasonably;

(b) receipt of evidence of the Purchaser Shareholder Approval, if applicable;

(c) on or before the Time of Closing, NASH shall have obtained the consent of each of the New NASH Shareholders, if any, evidenced by the delivery of the NASH Shareholder Consent Agreements;

(d) neither NASH nor any of the Shareholders shall have violated Section 10.01;

(e) the representations and warranties of NASH set forth in this Agreement shall have been true and correct as of the date hereof and shall be true and correct at the Time of Closing in all respects (in the case of any representation or warranty containing any materiality or Material Adverse Effect qualifier) or in all material respects (in the case of any representation or warranty without any materiality or Material Adverse Effect qualifier), except as affected by the transactions contemplated by this Agreement, and a certificate of a senior officer of NASH to this effect shall have been delivered to the Purchaser;

(f) all of the terms, covenants and conditions of this Agreement to be complied with or performed by NASH at or before the Time of Closing will have been complied with or performed and a certificate of a senior officer of NASH to this effect shall have been delivered to the Purchaser;

(g) the representations and warranties of the Securityholders set forth in this Agreement shall have been true and correct in all material respects as of the date hereof and shall be true and correct in all material respects as of the Time of Closing and delivery by each Securityholders of the documents described in Section 5.04 required to be delivered by such Securityholders shall constitute a reaffirmation and confirmation by such Securityholders of such representations and warranties;

(h) all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Securityholders at or before the Time of Closing will have been complied with or performed and delivery of the documents described in Section 5.04 shall constitute confirmation of such compliance and performance;

(i) all consents, assignments, waivers, permits, orders and approvals of all Governmental Authorities or other persons, including all those party to the material contracts listed in Section 6.03(i), necessary to permit the completion of the Transaction shall have been obtained;

(j) all of the principals of NASH are acceptable to regulators including the CSE;

(k) the completion of the Transaction without being classified as a "Fundamental Change" for the Purchaser, pursuant to the policies of the CSE;

(l) there being no inquiry or investigation (whether formal or informal) in relation to NASH or its respective directors or officers commenced or threatened by any securities commission or official of the CSE or regulatory body having jurisdiction such that the outcome of such inquiry or investigation could have a material adverse effect on, NASH, its business, assets or financial condition; and

(m) there shall not have been after the date of this Agreement any Material Adverse Effect with respect to NASH.

The foregoing conditions precedent are for the benefit of the Purchaser and may be waived by the Purchaser, in whole or in part, without prejudice to the Purchaser's right to rely on any other condition in favour of the Purchaser.

4.03 Conditions of Closing in Favour of NASH and the Securityholders

The obligations of NASH and the Securityholders to complete the Transaction are subject to the fulfillment of the following conditions on or before the Time of Closing:

(a) the Purchaser shall have tendered all closing deliveries set forth in Section 5.02 including delivery of the Payment Shares and Replacement Warrants and evidence of the Purchaser Shareholder Approval, if required;

(b) all consents, waivers, permits, orders and approvals of all Governmental Authorities (including the CSE) or other persons, including, if applicable, all those party to the material contracts listed in Schedule 6.01(v) necessary to permit the completion of the Transaction shall have been obtained;

(c) the Purchaser shall not have violated Section 10.02;

(d) the representations and warranties of the Purchaser set forth in this Agreement shall have been true and correct as of the date hereof and shall be true and correct at the Time of Closing in all respects (in the case of any representation or warranty containing any materiality or Material Adverse Effect qualifier) or in all material respects (in the case of any representation or warranty without any materiality or Material Adverse Effect qualifier), except as affected by the transactions contemplated by this Agreement, and a certificate of a senior officer of the Purchaser to this effect shall have been delivered to the Shareholders;

(e) all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser at or before the Time of Closing will have been complied with or performed and a certificate of a senior officer of the Purchaser to this effect shall have been delivered to the Securityholders and NASH;

(f) there shall not have been after the date of this Agreement any Material Adverse Effect with respect to the Purchaser;

(g) the Payment Shares will have been approved for issuance by the directors of the Purchaser;

(h) there being no inquiry or investigation (whether formal or informal) in relation to the Purchaser or its respective directors or officers commenced or threatened by any securities commission or official of the CSE or regulatory body having jurisdiction such that the outcome of such inquiry or investigation could have a material adverse effect on, the Purchaser, its business, assets or financial condition; and

(i) each of the directors, officers and nominees of NASH shall have been appointed, conditional on Closing.

The foregoing conditions precedent are for the benefit of NASH and the Shareholders and may be waived by NASH (on its own behalf and on behalf of the Shareholders) and the Shareholders, in whole or in part, without prejudice to NASH's and the Shareholders' right to rely on any other condition in favour of NASH and the Shareholders.

4.04 Notice and Cure Provisions

Each party will give prompt notice to the other parties hereto of the occurrence, or failure to occur, at any time from the date hereof until the Closing Date, of any event or state of facts which occurrence or failure would or would be likely to:

(a) cause any of the representations or warranties of such party contained herein to be untrue or inaccurate on the date hereof or at the Closing Date; or

(b) result in the failure by such party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such party hereunder prior to the Closing Date.

Subject to Article VIII, no party may elect not to complete the Transaction as contemplated herein as a result of the non-fulfillment of the conditions precedent contained in Sections 4.01 , 4.02, or 4.03, as applicable, unless the party intending to rely thereon has delivered a written notice to the other parties hereto prior to the Time of Closing specifying, in reasonable detail, all breaches of representations and warranties or covenants or other matters which the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition precedent.

ARTICLE V
CLOSING AND POST CLOSING ARRANGEMENTS

5.01 Time and Place of Closing

Closing of the Transaction shall take place at the Time of Closing at the offices of McMillan LLP, Suite 1500, Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

5.02 Closing Deliveries of the Purchaser

At the Time of Closing, the Purchaser will deliver or cause to be delivered:

(a) share certificates evidencing the Payment Shares registered as directed by the Shareholders (or by NASH on behalf of the Shareholders), provided, however, that certificates evidencing any Payment Shares required to be held in escrow in accordance with the requirements of the CSE, or otherwise, shall be delivered directly to the Escrow Agent;

(b) certificates evidencing the Replacement Warrants registered as directed by the Warrantholders (or by NASH on behalf of the Warrantholders), provided, however, that certificates evidencing any Replacement Warrants required to be held in escrow in accordance with the requirements of the CSE, or otherwise, shall be delivered directly to the Escrow Agent;

(c) if required, an escrow agreement in a form satisfactory to the CSE, among the Purchaser, the Escrow Agent and such Shareholders as may be required by the CSE to be parties thereto, duly executed by the Purchaser;

(d) if required, evidence of the Purchaser Shareholder Approval;

(e) a certificate of one of the Purchaser's senior officers, dated as of the Closing Date, certifying: (i) that attached thereto are true and complete copies of the notice of articles and articles of the Purchaser (and all amendments thereto as in effect as on such date); (ii) all resolutions of the board of directors of the Purchaser approving the entering into of this Agreement and all ancillary agreements contemplated herein and the completion of the Transaction, including the issuance of the Payment Shares and Replacement Warrants, and (iii) as to the incumbency and genuineness of the signature of each officer of Purchaser executing this Agreement or any of the other agreements or documents contemplated hereby;

(f) the officer's certificates referred to in Sections 4.03(d) and 4.03(e);

(g) if applicable, duly executed copies of any NASH Shareholder Consent Agreement referred to in Section 4.02(c) signed by the Purchaser; and

(h) a certificate of good standing for the Purchaser.

5.03 Closing Deliveries of NASH

At the Time of Closing, NASH will deliver or cause to be delivered:

(a) consents to act for proposed directors and personal information forms for proposed directors and officers described in Sections 3.01 and 3.02;

(b) a certificate of one of NASH's senior officers, dated as of the Closing Date, certifying: (i) that attached thereto are true and complete copies of the articles and by-laws of NASH (and all amendments thereto as in effect as on such date); (ii) all resolutions of the board of directors of NASH approving the entering into of this Agreement and the completion of the Transaction; and (iii) as to the incumbency and genuineness of the signature of each officer of NASH executing this Agreement or any of the other agreements or documents contemplated hereby;

(c) the officer's certificates referred to in Sections 4.02(e) and 4.02(f);

(d) if applicable, and if not previously delivered to the Purchaser, duly executed copies of the NASH Shareholder Consent Agreements referred to in Section 4.02(c) signed by each New NASH Shareholder and NASH; and

(e) a certificate of good standing for NASH.

5.04 Closing Deliveries of the Securityholders

At the Time of Closing, each Securityholders will cause to be delivered:

(a) with respect to each Shareholder, share certificates evidencing the Purchased Shares owned by such Shareholder, duly endorsed in blank for transfer or accompanied by duly executed stock transfer powers;

(b) with respect to U.S. Securityholders, the U.S. Representation Letter attached hereto as Schedule "D"; and

(c) if required by the CSE to be delivered by such Shareholder, an escrow agreement in a form satisfactory to the CSE, among the Purchaser, the Escrow Agent and such Securityholders as may be required by the CSE to be parties thereto, duly executed by such Securityholders.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

6.01 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to and in favour of each of the Shareholders and NASH as follows and acknowledges that such parties are relying upon such representations and warranties in connection with the transactions contemplated herein:

(a) the Purchaser is a corporation validly existing and in good standing under the laws of the Province of British Columbia and is duly registered, licensed or qualified to carry on business as an extra-provincial or foreign corporation under the laws of the jurisdictions in which the nature of its business makes such registration, licensing or qualification necessary;

(b) the Purchaser is a "**reporting issuer**" in the provinces of British Columbia, Alberta and Ontario and is not in material default of the Securities Laws;

(c) the Purchaser has the corporate power and capacity to enter into this Agreement and each additional agreement or instrument to be delivered pursuant to this Agreement, to perform its obligations hereunder and thereunder, to own and lease its property, and to carry on its businesses as now being conducted;

(d) this Agreement has been, and each additional agreement or instrument to be delivered pursuant to this Agreement will be prior to the Time of Closing, duly authorized, executed and delivered by the Purchaser and each is, or will be at the Time of Closing, a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms;

(e) the Common Shares are listed for trading on the CSE and the Purchaser is not in material default of any of the listing requirements of the CSE;

(f) the execution and delivery of this Agreement does not, and the consummation of the Transaction will not, (i) result in a breach or violation of the articles of the Purchaser or of any resolutions of the directors or shareholders of the Purchaser, (ii) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement (including any Purchaser Material Contract), licence or permit to which the Purchaser is a party or by which the Purchaser is bound or to which any material assets or property of the Purchaser is subject, or (iii) violate any provision of any applicable law or regulation or any judicial or administrative order, award, judgment or decree applicable to the Purchaser;

(g) the authorized capital of the Purchaser consists of an unlimited number of Common Shares, of which, as of the date hereof, 57,897,356 Common Shares are issued and outstanding as fully paid and non-assessable; as of the date hereof, 11,478,332 common share purchase warrants of the Purchaser are outstanding and 4,295,000 stock options are outstanding;

(h) when issued in accordance with the terms hereof, the Payment Shares will be validly issued as fully paid and non-assessable Common Shares;

(i) when issued in accordance with the terms hereof, the Replacement Warrants will be validly issued;

(j) when issued pursuant to and in accordance with the terms and conditions of the Replacement Warrants, the Common Shares issuable under the Replacement Warrants will be validly issued as fully paid and non assessable Common Shares;

(k) other than as set out in Section 6.01(g), there are no other Common Shares or securities convertible, exercisable or exchangeable into Common Shares or preferred shares issued or outstanding;

(l) all disclosure documents of the Purchaser filed under the Securities Laws of the Provinces of British Columbia, Alberta and Ontario since the date of its incorporation, but not limited to, financial statements, prospectuses, offering memorandums, information circulars, material change reports and shareholder communications contain no untrue statement of a material fact as at the date thereof nor do they omit to state a material fact which, at the date thereof, was required to have been stated or was necessary to prevent a statement that was made from being false or misleading in the circumstances in which it was made;

(m) except for the holders of the securities set out Section 5.01(g), no person has any agreement, option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, options, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any unissued shares or other securities of the Purchaser;

(n) the Purchaser does not own, and has not at any time owned, and does not have any agreements of any nature to acquire, directly or indirectly, any shares in the capital of or other equity or proprietary interests in any person, and the Purchaser does not have any agreements to acquire or lease any material assets or properties or any other business operations;

(o) the audited financial statements of the Purchaser for the year ended August 31, 2017, and the unaudited interim financial statements for the nine-month period ended May 31, 2018 (collectively, the "**Purchaser Financial Statements**"), copies of which have been filed publicly with the British Columbia, Ontario and Alberta Securities Commissions and are available on SEDAR, are true and correct in every material respect and present fairly and accurately the financial position and results of the operations of the Purchaser for the periods then ended and the Purchaser Financial Statements have been prepared in accordance with GAAP applied on a consistent basis;

(p) to the knowledge of the Purchaser, no information has come to the attention of the Purchaser since the last date of the most recently issued Purchaser Financial Statements that would or would reasonably be expected to require any restatement or revisions of any such financial statements;

(q) the Purchaser's auditors who audited the Purchaser Financial Statements (as applicable) are independent public accountants;

(r) except as disclosed in the Purchaser Financial Statements, there are no related-party transactions or off-balance sheet structures or transactions with respect to the Purchaser;

(s) except as disclosed in the Purchaser Financial Statements, the Purchaser is not a party to, or bound by, any agreement of guarantee, indemnification, assumption or endorsement or any like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person;

(t) since August 31, 2017, there has been no material adverse change in the condition (financial or otherwise), assets, liabilities, operations, earnings or business of the Purchaser;

(u) the Purchaser has conducted and is conducting its business in compliance in all material respects with all applicable laws, regulations, by-laws, ordinances, regulations, rules, judgments, decrees and orders of each jurisdiction in which its business is carried on;

(v) the Contracts listed in Schedule 6.01(v) (the "**Purchaser Material Contracts**") constitute all the Material Contracts of the Purchaser. Each of the Purchaser Material Contracts is in full force and effect, unamended, and there exists no default, warranty claim or other obligation or liability or event, occurrence, condition or act (including the purchase and sale of the Purchased Shares hereunder and the other transactions contemplated hereunder, including, without limitation, the Financing, and the issuance of the Payment Shares) which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default, or give rise to a warranty claim or other obligation or liability thereunder. The Purchaser has not violated or breached, in any material respect, any of the terms or conditions of any Purchaser Material Contract and all the covenants to be performed by any other party thereto have been fully and properly performed;

(w) there are no waivers, consents, notices or approvals required to be given or obtained by the Purchaser in connection with Transaction and the other transactions contemplated by this Agreement under any Contract to which the Purchaser is a party;

(x) no consent, approval, order or authorization of, or registration or declaration with, any applicable Governmental Authority with jurisdiction over the Purchaser is required to be obtained by the Purchaser in connection with the execution and delivery of this Agreement or the consummation of the Transaction, including, without limitation, the Financing or the issuance of the Payment Shares, except for those consents, orders, authorizations, declarations, registrations or approvals which are contemplated by this Agreement or those consents, orders, authorizations, declarations, registrations or approvals that, if not obtained, would not prevent or materially delay the consummation of the Transaction or otherwise prevent or materially delay the Purchaser from performing its obligations under this Agreement and could not reasonably be expected to have a Material Adverse Effect on the Purchaser;

(y) there is no suit, action or proceeding or, to the knowledge of the Purchaser, pending or threatened against the Purchaser that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on the Purchaser, and there is no judgment, decree, injunction, rule or order of any Governmental Authority outstanding against the Purchaser causing, or which could reasonably be expected to cause, a Material Adverse Effect on the Purchaser;

(z) no bankruptcy, insolvency or receivership proceedings have been instituted by the Purchaser or, to the knowledge of the Purchaser, are pending against the Purchaser;

(aa) the Purchaser has good and marketable title to its properties and assets (other than property or an asset as to which the Purchaser is a lessee, in which case it has a valid leasehold interest), except for such defects in title that individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Purchaser;

(bb) no person has any written or oral agreement, option, understanding or commitment for the purchase from the Purchaser of any of its assets or property;

(cc) the Purchaser has all permits, licences, certificates of authority, orders and approvals of, and has made all filings, applications and registrations with, applicable Governmental Authorities that are required in order to permit it to carry on its business as presently conducted, except for such permits, licences, certificates, orders, filings, applications and registrations, the failure to have or make, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Purchaser, and all such all permits, licences, certificates of authority, orders and approvals are in good standing in all material respects;

(dd) the Purchaser has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by the Purchaser in all applicable jurisdictions as of the date hereof and all Tax Returns that have been filed by, or with respect to the Purchaser are true, complete and correct, report all income and all other amounts and information required to be reported thereon and disclose any Tax required to be paid for the periods covered thereby. The Purchaser has duly and timely paid any Tax due and payable by it, including all instalments on account of Tax that are due and payable before the date hereof, whether or not assessed by the appropriate Governmental Authority, and has duly and timely paid all assessments and reassessments it has received in respect of any Tax;

(ee) there are no audits, reassessments or other proceedings in progress or, to the knowledge of the Purchaser, threatened against the Purchaser, in respect of any Tax and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any Tax, and the Purchaser is not aware of any contingent liability of the Purchaser for Tax or any grounds that could prompt an assessment or reassessment for any Tax, and the Purchaser has not received any indication from any Governmental Authority that any assessment or reassessment is proposed;

(ff) the Purchaser has deducted, withheld or collected and remitted in a timely manner to the relevant Governmental Authority each Tax or other amount required to be deducted, withheld or collected and remitted by the Purchaser;

(gg) the Purchaser has not been notified by any Governmental Authority of any investigation with respect to it that is pending or threatened, nor has any Governmental Authority notified the Purchaser of such Governmental Authority's intention to commence or to conduct any investigation, that could be reasonably likely to have a Material Adverse Effect on the Purchaser;

(hh) no current or former employee, officer or director of the Purchaser is entitled to a severance, termination or other similar payment as a result of the Transaction;

(ii) the Corporate Records of the Purchaser are complete and accurate in all material respects and all corporate proceedings and actions reflected therein have been conducted or taken in compliance with all applicable laws and with the constating documents of the Purchaser, and without limiting the generality of the foregoing: (i) the minute books contain complete and accurate minutes of all meetings of the directors (and any committee thereof) and shareholders of the Purchaser; (ii) such minute books contain all written resolutions passed by the directors (and any committee thereof) and shareholders of the Purchaser; (iii) the share certificate books, if any, the central securities register and register of transfers, and branch registers, of the Purchaser are complete and accurate, and all transfers of shares of the Purchaser reflected therein have been duly completed and approved; and (iv) the registers of directors and officers are complete and accurate and all former and present directors and officers of the Purchaser were duly elected or appointed as the case may be.

(ii) all Books and Records of the Purchaser have been fully, properly and accurately kept and, where required, completed in accordance with generally accepted accounting principles, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein; and

(jj) to the knowledge of the Purchaser, no representation or warranty of the Purchaser contained in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

6.02 Representations and Warranties of the Securityholders

Each of the Securityholders, on its own behalf and not on behalf of any other Securityholders, hereby severally (and, for greater certainty, not jointly with any other Securityholders) represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on such representations and warranties in connection with the transactions contemplated herein:

(a) this Agreement has been, and each additional agreement or instrument required to be delivered pursuant to this Agreement will be prior to the Time of Closing, duly authorized, executed and delivered by the Securityholders and each is, or will be at the Time of Closing, a legal, valid and binding obligation of the Securityholders, enforceable against the Securityholders in accordance with its terms;

(b) if the Securityholders is not an individual, the Securityholders is validly existing under the laws of its jurisdiction of organization and has the corporate or other power to enter into this Agreement and any other agreement to which it is, or is to become, a party to pursuant to the terms hereof and to perform its obligations hereunder and thereunder;

(c) the execution and delivery of this Agreement does not, and the consummation of the Transaction will not, (i) if the Securityholders is not an individual, result in a breach or violation of the articles or by-laws of the Securityholders (or other constating documents of the Shareholder) or of any resolutions of the directors or shareholders of the Securityholders, or (ii) violate any provision of any applicable law or regulation or any judicial or administrative order, award, judgment or decree applicable to the Securityholders;

(d) with respect to Shareholders, the Shareholder is the registered and beneficial owner of that number of NASH Shares, as the case may be, set forth opposite the Shareholder's name in Schedule "A" (such common shares comprising part of the Purchased Shares), free and clear of all liens, charges, mortgages, security interests, pledges, demands, claims and other encumbrances of any nature whatsoever;

(e) with respect to Warrantholders, the Warrantholder is the registered and beneficial owner of that number of Warrants set forth opposite the Warrantholder's name in Schedule "B";

(f) except for the Purchaser's rights hereunder, no person has any agreement or option or any right or privilege capable of becoming an agreement for the purchase of the common shares of NASH (namely the Purchased Shares) held or beneficially owned by the Shareholder and none of such common shares of NASH are subject to any voting trust, shareholders agreement, voting agreement or other agreement with respect to the disposition or enjoyment of any rights of such common shares of NASH;

(g) no consent, approval, order or authorization of, or registration or declaration with, any applicable Governmental Authority with jurisdiction over the Securityholders is required to be obtained by the Securityholders in connection with the execution and delivery of this Agreement or the consummation by the Shareholder of the Transaction, except for those consents, orders, authorizations, declarations, registrations or approvals which are contemplated by this Agreement or those consents, orders, authorizations, declarations, registrations or approvals that, if not obtained, would not prevent or materially delay the consummation of the Transaction or otherwise prevent the Securityholders from performing its obligations under this Agreement;

(h) except for the Non-Resident Securityholders, the Securityholders is not a "non-resident" of Canada within the meaning of the Tax Act;

(i) unless the Securityholders is a U.S. Securityholder and has completed and delivered a U.S. Representation Letter for U.S. Securityholders in the form attached hereto as Schedule "D" (in which case the Securityholders makes the representations, warranties and covenants therein):

(i) the offer to purchase the Shareholder's Purchased Shares or Warrants, as the case may be, was not made to the Securityholders when either the Securityholders or any beneficial purchaser for whom it is acting, if applicable, was in the United States;

(ii) the Securityholders is not a U.S. Person, is not in the United States and is not acquiring the applicable Payment Shares or Replacement Warrants on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States;

(iii) at the time this Agreement was executed and delivered by the Securityholders, the Securityholders was outside the United States;

(iv) if the Securityholders is a corporation or entity, (A) a majority of the Securityholder's voting equity is beneficially owned by persons resident outside the United States; and (B) the Securityholder's affairs are wholly controlled and directed from outside of the United States;

(v) the Securityholders or any beneficial purchaser for whom it is acting, if applicable, has no intention to distribute either directly or indirectly any of the Payment Shares or Common Shares issued upon exercise of any Replacement Warrants in the United States, except in compliance with the U.S. Securities Act; and

(vi) the current structure of this transaction and all transactions and activities contemplated in this Agreement is not a scheme to avoid the registration requirements of the U.S. Securities Act and any applicable state securities laws;

(j) Non-Resident Securityholders represent, warrant and/or acknowledge, as applicable, that:

(i) the Payment Shares, and any Common Shares issued upon the exercise of Replacement Warrants, issuable hereunder have not been and will not be registered under the securities laws of any foreign jurisdiction and that the issuance of the Payment Shares, Replacement Warrants and any Common Shares issued upon the exercise of ReplacementWarrants pursuant to the terms of this Agreement is being made in reliance on applicable exemptions; and

(ii) the receipt of the Payment Shares and Replacement Warrants by Non-Resident Securityholders does not contravene any of the applicable securities legislation in the jurisdiction in which it is resident and does not trigger: (i) any obligation to prepare and file a prospectus or similar document, or any other report with respect to such transfer; and (ii) any registration or other obligation on the part of Purchaser;

(k) the Securityholders has not authorized any person to act as broker or finder or in any other similar capacity in connection with the transactions contemplated by this Agreement, that in any manner may or will impose liability on NASH or the Purchaser; and

(l) to the knowledge of the Securityholders, no representation or warranty of the Securityholders contained in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

6.03 Representations and Warranties of NASH

NASH represents and warrants to the Purchaser as follows, except as Disclosed, and acknowledges that the Purchaser is relying on such representations and warranties in connection with the transactions contemplated herein:

(a) NASH is a corporation validly existing and in good standing under the laws of the jurisdiction of incorporation and is duly registered, licensed or qualified to carry on business under the laws of the jurisdictions in which the nature of its business makes such registration, licensing or qualification necessary;

(b) NASH has the corporate power and capacity to enter into this Agreement and each additional agreement or instrument to be delivered pursuant to this Agreement, to perform its obligations hereunder and thereunder to own and lease it property, and to carry on its businesses as now being conducted;

(c) this Agreement has been, and each additional agreement or instrument to be delivered pursuant to this Agreement will be prior to the Time of Closing, duly authorized, executed and delivered by NASH and each is, or will be at the Time of Closing, a legal, valid and binding obligation of NASH, enforceable against NASH in accordance with its terms;

(d) the execution and delivery of this Agreement does not, and the consummation of the Transaction will not, (i) result in a breach or violation of the articles or by-laws of NASH or of any resolutions of the directors or shareholders of NASH, (ii) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement (including any NASH Material Contract), license or permit to which NASH is a party or by which NASH is bound or to which any material assets or property of NASH is subject, or (iii) violate any provision of any applicable law or regulation or any judicial or administrative order, award, judgment or decree applicable to NASH;

(e) the authorized capital of NASH consists of an unlimited number of common shares, of which, as of the date of this Agreement, 15,800,000 NASH Shares are issued and outstanding as fully paid and non-assessable shares; as of the date hereof, 14,800,000 common share purchase warrants of NASH are outstanding and nil stock options are outstanding;

(f) NASH does not own, and has not at any time owned, and does not have any agreements of any nature to acquire, directly or indirectly, any shares in the capital of or other equity or proprietary interests in any person, and NASH does not have any agreements to acquire or lease any material assets or properties or any other business operations;

(g) no person (other than the Purchaser pursuant to this Agreement) has any agreement, option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, options, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any unissued shares or other securities of NASH;

(h) NASH has conducted and is conducting its business in compliance in all material respects with all applicable laws, regulations, by-laws, ordinances, regulations, rules, judgments, decrees and orders of each jurisdiction in which its business is carried on;

(i) the Contracts listed in the Disclosure Letter (the "**NASH Material Contracts**"), together with this Agreement, and after the execution and delivery hereof, all ancillary agreements contemplated herein, constitute all the Material Contracts of NASH. Each of the NASH Material Contracts is in full force and effect, unamended, and there exists no default, warranty claim or other obligation or liability or event, occurrence, condition or act (including the purchase and sale of the Purchased Shares hereunder and the other transactions contemplated hereunder, including, without limitation, the Financing and the issuance of the Payment Shares) which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default, or give rise to a warranty claim or other obligation or liability thereunder. NASH has not violated or breached, in any material respect, any of the terms or conditions of any NASH Material Contract and all the covenants to be performed by any other party thereto have been fully and properly performed;

(j) there are no waivers, consents, notices or approvals required to be given or obtained by NASH in connection with the Transaction and the other transactions contemplated by this Agreement under any Contract to which NASH is a party;

(k) no consent, approval, order or authorization of, or registration or declaration with, any applicable Governmental Authority with jurisdiction over NASH is required to be obtained by NASH in connection with the execution and delivery of this Agreement, except for those consents, orders, authorizations, declarations, registrations or approvals which are contemplated by this Agreement or those consents, orders, authorizations, declarations, registrations or approvals that, if not obtained, would not prevent or materially delay the consummation of the Transaction or otherwise prevent or materially delay NASH from performing its obligations under this Agreement and could not reasonably be expected to have a Material Adverse Effect on NASH;

(l) there is no suit, action or proceeding or, to the knowledge of NASH, pending or threatened against NASH that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on NASH, and there is no judgment, decree, injunction, rule or order of any Governmental Authority outstanding against NASH causing, or which could reasonably be expected to cause, a Material Adverse Effect on NASH;

(m) no bankruptcy, insolvency or receivership proceedings have been instituted by NASH or, to the knowledge of NASH, are pending against NASH;

(n) NASH has good and marketable title to its properties and assets (other than property or an asset as to which NASH is a lessee, in which case it has a valid leasehold interest), except for such defects in title that individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on NASH;

(o) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming an agreement, option, understanding or commitment for the purchase from NASH of any of its assets or property;

(p) NASH has all permits, licences, certificates of authority, orders and approvals of, and has made all filings, applications and registrations with, applicable Governmental Authorities and other persons that are required in order to permit it to carry on its business as presently conducted, except for such permits, licences, certificates, orders, filings, applications and registrations, the failure to have or make, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on NASH, and all such permits, licenses, certificates of authority, orders and approvals are in good standing and fully complied with in all material respects;

(q) NASH has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by NASH in all applicable jurisdictions as of the date hereof and all Tax Returns that have been filed by, or with respect to NASH are true, complete and correct, report all income and all other amounts and information required to be reported thereon and disclose any Tax required to be paid for the periods covered thereby. NASH has duly and timely paid any Tax due and payable by it, including all instalments on account of Tax that are due and payable before the date hereof, whether or not assessed by the appropriate Governmental Authority, and has duly and timely paid all assessments and reassessments it has received in respect of any Tax;

(r) there are no audits, reassessments or other proceedings in progress or, to the knowledge of NASH, threatened against NASH, in respect of any Tax and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any Tax, and NASH is not aware of any contingent liability of NASH for Tax or any grounds that could prompt an assessment or reassessment for any Tax, and NASH has not received any indication from any Governmental Authority that any assessment or reassessment is proposed;

(s) NASH has deducted, withheld or collected and remitted in a timely manner to the relevant Governmental Authority each Tax or other amount required to be deducted, withheld or collected and remitted by NASH;

(t) NASH has not been notified by any Governmental Authority of any investigation with respect to it that is pending or threatened, nor has any Governmental Authority notified NASH of such Governmental Authority's intention to commence or to conduct any investigation that could be reasonably likely to have a Material Adverse Effect on NASH;

(u) NASH has no employees other than those employees listed in the Disclosure Letter and NASH is not a party to any employment, management or consulting agreement of any kind whatsoever, save as set out in the Disclosure Letter;

(v) no current or former employee, officer or director of NASH is entitled to a severance, termination or other similar payment as a result of the Transaction;

(w) the Corporate Records of NASH are complete and accurate in all material respects and all corporate proceedings and actions reflected therein have been conducted or taken in compliance with all applicable laws and with the constating documents of NASH, and without limiting the generality of the foregoing: (i) the minute books of NASH contain complete and accurate minutes of all meetings of the directors and shareholders of NASH; (ii) such minute books contain all written resolutions passed by the directors and shareholders of NASH; (iii) the securities register of NASH are complete and accurate, and all transfers of shares of NASH have been duly completed and approved; and (iv) the registers of directors and officers are complete and accurate and all former and present directors and officers of NASH were duly elected or appointed as the case may be;

(x) all Books and Records of NASH have been fully, properly and accurately kept and, where required, completed in accordance with generally accepted accounting principles, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein;

(y) NASH has the exclusive right to use, sell, license, sub-license and prepare derivative works for and dispose of and has the rights to bring actions for the infringement or misappropriation of the NASH's IP that it has registered or applied for registration and NASH has not licensed, conveyed, assigned or encumbered any of the NASH's IP that it owns. All registrations and filings necessary to preserve the rights of NASH to its IP have been made and are in good standing;

(z) all pending applications for registration of NASH's IP are in good standing with the appropriate offices and assignments have been recorded in favour of NASH to the extent recordation within a timely manner is required to preserve the rights thereto;

(aa) the execution and delivery of this Agreement or any agreement contemplated hereby will not breach, violate or conflict with any instrument or agreement governing any of NASH's IP, will not cause the forfeiture or termination of any of NASH's IP or in any way exclude the right of NASH to use, sell, license or dispose of or to bring any action for the infringement of any of NASH's IP (or any portion thereof);

(bb) There are no royalties, honoraria, fees or other payments payable by NASH to any Person by reason of, or in respect of, the ownership, use, license, sale or disposition of any of NASH's IP and there are no restrictions on the ability of NASH or any successor to or assignee from NASH to use and exploit all rights in such IP;

(cc) All maintenance fees due in accordance with the NASH's IP have been paid in a timely manner;

(dd) NASH is not a 'reporting issuer' or equivalent in any jurisdiction nor are any shares of NASH listed or quoted on any stock exchange or electronic quotation system; and

(ee) to the knowledge of NASH, no representation or warranty of NASH contained in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

6.04 Survival of Representations and Warranties

The representations and warranties made by the parties and contained in this Agreement or any document or certificate given pursuant hereto shall survive the Closing of the Transaction until the date that is 12 months from the date of Closing. No claim for breach of any representation, warranty or covenant shall be valid unless that party against whom such claim is made has been given notice thereof before the expiry of such 12-month period.

ARTICLE VII
COVENANTS

7.01 Mutual Covenants

Each of the parties hereby covenants and agrees as follows:

(a) to use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder which are reasonably under its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under applicable laws and regulations to complete the Transaction in accordance with the terms of this Agreement. Without limiting the generality of the foregoing, in the event that any person, including without limitation, any securities regulatory authority, seeks to prevent, delay or hinder implementation of all or any portion of the Transaction or seeks to invalidate all or any portion of this Agreement, each of the parties shall use commercially reasonable efforts to resist such proceedings and to lift or rescind any injunction or restraining order or other order or action seeking to stop or otherwise adversely affecting the ability of the parties to complete the Transaction;

(b) to use commercially reasonable efforts to obtain, before the Time of Closing, all authorizations, waivers, exemptions, consents, orders and other approvals from domestic or foreign courts, Governmental Authorities, shareholders and third parties as are necessary for the consummation of the transactions contemplated herein;

(c) to use commercially reasonable efforts to defend or cause to be defended any lawsuits or other legal proceedings brought against it challenging this Agreement or the completion of the Transaction; no party will settle or compromise any claim brought against them in connection with the transactions contemplated by this Agreement prior to the Closing Date without the prior written consent of each of the others, such consent not to be unreasonably withheld or delayed;

(d) to promptly notify each of the other parties if any representation or warranty made by it in this Agreement ceases to be true and correct in all respects (in the case of any representation or warranty containing any materiality or Material Adverse Effect qualifier) or in all material respects (in the case of any representation or warranty without any materiality or Material Adverse Effect qualifier) and of any failure to comply in any material respect with any of its obligations under this Agreement;

(e) to co-operate with each of the other parties hereto in good faith in order to ensure the timely completion of the Transaction;

(f) to use commercially reasonable efforts to co-operate with each of the other parties hereto in connection with the performance by the other of its obligations under this Agreement; and

(g) in the case of NASH and the Purchaser, to indemnify and hold harmless each of the other parties hereto (and, if applicable, such other parties' respective directors, officers, representatives and advisers) (collectively, the "**Non-Offending Persons**") from and against all claims, damages, liabilities, actions or demands to which the Non-Offending Persons may be subject insofar as such claims, damages, liabilities, actions or demands arise out of, or are based upon, the information supplied by NASH or the Purchaser, as applicable, for inclusion in the Listing Statement (or Information Circular, if required) having contained a misrepresentation. NASH and the Purchaser shall obtain and hold the rights and benefits of this subsection in trust for and on behalf of such parties' respective directors, officers, representatives and advisers.

7.02 Covenants of the Purchaser

The Purchaser covenants and agrees with each of the Securityholders and NASH that, until the earlier of the Closing Date and the date upon which this Agreement is terminated in accordance with Article VIII, subject to Section 10.02, it will:

(a) in a timely and expeditious manner:

(i) file and/or deliver any document or documents as may be required in order for the Transaction as contemplated herein to be effective; and

(ii) file and/or deliver any document or documents required pursuant to applicable laws and/or the rules and policies of the CSE in connection with the Transaction as contemplated herein after the Closing;

(b) not solicit, initiate, knowingly encourage, cooperate with or facilitate (including by way of furnishing any non-public information or entering into any form of agreement, arrangement or understanding) the submission, initiation or continuation of any oral or on closing of the Transaction written inquiries or proposals or expressions of interest regarding, constituting or that may reasonably be expected to lead to any activity, arrangement or transaction or propose any activities or solicitations in opposition to or in competition with the Transaction, and without limiting the generality of the foregoing, not to induce or attempt to induce any other person to initiate any shareholder proposal or "takeover bid," exempt or otherwise, within the meaning of the *Securities Act* (British Columbia), for securities or assets of the Purchaser, nor to undertake any transaction or negotiate any transaction which would be or potentially could be in conflict with the Transaction, including, without limitation, allowing access to any third party to conduct due diligence, nor to permit any of its officers or directors to authorize such access, except as required by statutory obligations. In the event the Purchaser, including any of its officers or directors, receives any form of offer or inquiry, the Purchaser shall forthwith (in any event within one business day following receipt) notify NASH of such offer or inquiry and provide NASH with such details as it may request

(c) to make available and afford the NASH and its authorized representatives and, if requested by NASH, provide a copy of all title documents, contracts, financial statements, minute books, share certificate books, if any, share registers, plans, reports, licences, orders, permits, books of account, accounting records, constating documents and all other documents, information and data relating to the Purchaser. The Purchaser will afford NASH and its authorized representatives every reasonable opportunity to have free and unrestricted access to the Purchaser's property, assets, undertaking, records and documents. At the request of NASH, the Purchaser will execute or cause to be executed such consents, authorizations and directions as may be necessary to permit any inspection of the Purchaser's business and any of its property or to enable NASH or its authorized representatives to obtain full access to all files and records relating to any of the assets of the Purchaser maintained by governmental or other public authorities. The obligations in this Section 7.02(c) are subject to any access or disclosure contemplated herein not being otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver cannot be obtained, provided that in such circumstance the Purchaser will be required to disclose that information has been withheld on this basis. The exercise of any rights of inspection by or on behalf of NASH under this Section 7.02(c) will not mitigate or otherwise affect the representations and warranties of the Purchaser hereunder.

(d) make application to the CSE and diligently pursue the approval of the Transaction (including the obligation of the Purchaser to issue the Payment Shares);

(e) except for non-substantive communications, and provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver cannot be obtained (provided that in such circumstance the Purchaser will be required to disclose that information has been withheld on this basis), furnish promptly to NASH (on behalf of the Securityholders) a copy of each notice, report, schedule or other document or communication delivered, filed or received by the Purchaser in connection with or related to the Transaction, any filings under applicable laws and any dealings with any Governmental Authority in connection with or in any way affecting the Transaction as contemplated herein;

(f) use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations set forth in this Agreement to the extent the same are within its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the Transaction as contemplated herein, including using commercially reasonable efforts to:

(i) obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases, licenses, agreements and other Contracts, as applicable;

(ii) effect all necessary registrations and filings and submissions of information requested by any Governmental Authority required to be effected by it in connection with the Transaction and participate and appear in any proceedings of either the Purchaser or NASH before any Governmental Authority to the extent permitted by such authorities; and

(iii) fulfill all conditions and satisfy all provisions of this Agreement and the Transaction;

(g) subject to Applicable Laws, not take any action, refrain from taking any action, or permit any action to be taken or not taken inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the Transaction;

(h) conduct and operate its business and affairs only in the ordinary course consistent with past practice and use commercially reasonable efforts to preserve its business organization, goodwill and material business relationships with other persons and, for greater certainty, other than in respect of the Financing, it will not enter into any material transaction out of the ordinary course of business consistent with past practice without the prior consent of NASH, and the Purchaser will keep the NASH fully informed as to the material decisions or actions required or required to be made with respect to the operation of its business, provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver could not be obtained

(i) except as may be necessary or desirable in order to effect the Transaction as contemplated hereunder, not alter or amend its notice of articles or articles as the same exist at the date of this Agreement;

(j) not merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization or arrangement with, or transfer its undertaking or assets as an entirety or substantially as an entirety to, any other person or perform any act which would render inaccurate in any material way any of its representations and warranties set forth herein as if such representations and warranties were made at a date subsequent to such act and all references to the date of this Agreement were deemed to be such later date, except as contemplated in this Agreement, and without limiting the generality of the foregoing, it will not:

(i) make any distribution by way of dividend, distribution of property or assets, return of capital or otherwise to or for the benefit of its shareholders;

(ii) increase or decrease its paid-up capital or purchase or redeem any shares except: (A) upon the exercise of share purchase warrants or options or conversion of convertible securities of the Purchaser outstanding as of the date hereof; or

(iii) issue or enter into any commitment to issue any of its shares or securities convertible into, or rights, warrants or options to acquire, any such shares, except: (A) upon the exercise of share purchase warrants or options or conversion of convertible securities of the Purchaser outstanding as of the date hereof;

(k) take all necessary corporate action and proceedings to approve and authorize the issuance of the Payment Shares to the Shareholders;

(l) prepare and file with all applicable securities commissions such notifications and fees necessary to permit, or that are required in connection with, the issuance of the Payment Shares to the Shareholders on a basis exempt from the prospectus and registration requirements of the applicable Securities Laws of the provinces of Canada in which the Shareholders are resident; and

(m) not to authorize, sell or issue, or negotiate or enter into an agreement to sell or issue, any securities of the Purchaser (including those that are convertible or exchangeable into securities of the Purchaser), other than as contemplated under this Agreement or pursuant to the exercise or conversion of share purchase warrants, options or convertible securities of the Purchaser outstanding as of the date hereof.

7.03 Covenants of NASH

NASH covenants and agrees with the Purchaser that, until the earlier of the Closing Date and the date upon which this Agreement is terminated in accordance with Article VIII, subject to Section 10.01, it will:

(a) not to solicit, initiate, knowingly encourage, cooperate with or facilitate (including by way of furnishing any non-public information or entering into any form of agreement, arrangement or understanding) the submission, initiation or continuation of any oral or written inquiries or proposals or expressions of interest regarding, constituting or that may reasonably be expected to lead to any activity, arrangement or transaction or propose any activities or solicitations in opposition to or in competition with the Transaction with the exception of various international joint ventures of NASH and/or business opportunities and the funding thereof, and without limiting the generality of the foregoing, not to induce or attempt to induce any other person to initiate any shareholder proposal or "takeover bid," exempt or otherwise, within the meaning of the *Securities Act* (British Columbia), for securities or assets of NASH, nor to undertake any transaction or negotiate any transaction which would be or potentially could be in conflict with the Transaction, including, without limitation, allowing access to any third party to conduct due diligence, nor to permit any of its officers or directors to authorize such access, except as required by statutory obligations. In the event, NASH, including any of its officers or directors, receives any form of offer or inquiry, NASH shall forthwith (in any event within one business day following receipt) notify the Purchaser of such offer or inquiry and provide the Purchaser with such details as it may request;

(b) to make available and afford the Purchaser and its authorized representatives and, if requested by the Purchaser, provide a copy of all title documents, contracts, financial statements, minute books, share certificate books, if any, share registers, plans, reports, licences, orders, permits, books of account, accounting records, constating documents and all other documents, information and data relating to NASH. NASH will afford the Purchaser and its authorized representatives every reasonable opportunity to have free and unrestricted access to NASH's property, assets, undertaking, records and documents. At the request of the Purchaser, NASH will execute or cause to be executed such consents, authorizations and directions as may be necessary to permit any inspection of NASH's business and any of its property or to enable the Purchaser or its authorized representatives to obtain full access to all files and records relating to any of the assets of NASH maintained by governmental or other public authorities. The obligations in this Section 7.03(b) are subject to any access or disclosure contemplated herein not being otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver cannot be obtained, provided that in such circumstance NASH will be required to disclose that information has been withheld on this basis. The exercise of any rights of inspection by or on behalf of Purchaser under this Section 7.03(b) will not mitigate or otherwise affect the representations and warranties of NASH hereunder;

(c) except for non-substantive communications, and provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver cannot be obtained (provided that in such circumstance NASH will be required to disclose that information has been withheld on this basis), furnish promptly to the Purchaser a copy of each notice, report, schedule or other document or communication delivered, filed or received by NASH in connection with or related to the Transaction, any filings under applicable laws and any dealings with any Governmental Authority in connection with or in any way affecting the Transaction as contemplated herein (other than in respect of an Alternative Transaction, in which case a summary of the material terms may be provided);

(d) use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations set forth in this Agreement to the extent the same are within its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the Transaction, including using commercially reasonable efforts to:

(i) obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases, licenses, agreements and other Contracts;

(ii) effect all necessary registrations and filings and submissions of information requested by any Governmental Authority required to be effected by it in connection with the Transaction and participate and appear in any proceedings of either NASH or the Purchaser before any Governmental Authority to the extent permitted by such authorities; and

(iii) fulfill all conditions and satisfy all provisions of this Agreement and the Transaction;

(e) subject to Applicable Laws or as authorized by this Agreement, not take any action, refrain from taking any action, or permit any action to be taken or not taken inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the Transaction;

(f) conduct and operate its business and affairs only in the ordinary course consistent with past practice and use commercially reasonable efforts to preserve its business organization, goodwill and material business relationships with other persons and, for greater certainty, it will not enter into any material transaction out of the ordinary course of business consistent with past practice without the prior consent of the Purchaser, and NASH will keep the Purchaser fully informed as to the material decisions or actions required or required to be made with respect to the operation of its business, provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver could not be obtained;

(g) except as may be necessary or desirable in order to effect the Transaction as contemplated hereunder, not alter or amend its articles or notice of articles as the same exist at the date of this Agreement;

(h) not merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization or arrangement with, or transfer its undertaking or assets as an entirety or substantially as an entirety to, any other person or perform any act which would render inaccurate in any material way any of its representations and warranties set forth herein as if such representations and warranties were made at a date subsequent to such act and all references to the date of this Agreement were deemed to be such later date, except as contemplated in this Agreement, and without limiting the generality of the foregoing, it will not:

(i) make any distribution by way of dividend, distribution of property or assets, return of capital or otherwise to or for the benefit of its shareholders;

(ii) increase or decrease its paid-up capital or purchase or redeem any shares; or

(iii) issue or enter into any commitment to issue any of its shares or securities convertible into, or rights, warrants or options to acquire any such shares; and

(i) take all necessary corporate action and proceedings to approve and authorize the valid and effective transfer of the Purchased Shares to the Purchaser.

7.04 Covenants of the Securityholders

Each of the Securityholders covenants and agrees with the other parties hereto that, until the earlier of the Closing Date and the date upon which this Agreement is terminated in accordance with Article VIII, subject to Section 10.01, it will:

(a) enter into such escrow arrangements in respect of the Payment Shares as may be required in accordance with applicable securities laws and/or the policies of the CSE;

(b) except for non-substantive communications, and provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver cannot be obtained (provided that in such circumstance the Securityholder will be required to disclose that information has been withheld on this basis), furnish promptly to the Purchaser a copy of each notice, report, schedule or other document or communication delivered, filed or received by such Securityholder in connection with or related to the Transaction, any filings under applicable laws and any dealings with any Governmental Authority in connection with or in any way affecting, the Transaction as contemplated herein (other than in respect of an Alternative Transaction, in which case a summary of the material terms may be provided);

(c) use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations set forth in this Agreement to the extent the same are within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the Transaction, including using commercially reasonable efforts to:

(i) effect all necessary registrations and filings and submissions of information requested by any Governmental Authority required to be effected by it in connection with the Transaction; and

(ii) fulfill all conditions and satisfy all provisions of this Agreement and the Transaction;

(d) subject to Applicable Laws or as otherwise authorized by this Agreement, not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the Transaction; and

(e) not encumber in any manner the Purchased Shares and ensure that at the Time of Closing the Purchased Shares are free and clear of all Liens, charges, mortgages, security interests, pledges, demands, claims and other encumbrances whatsoever.

ARTICLE VIII
TERMINATION

8.01 Termination

This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of all the parties hereto;

(b) by either NASH or the Purchaser if the Closing shall not have been consummated on or prior to the Termination Date, without liability to the terminating party on account of such termination; provided that the right to terminate this Agreement pursuant to this Section 8.01(b) shall not be available to a party whose breach or violation of any representation, warranty, covenant, obligation or agreement under this Agreement has been the cause of or has resulted in the failure of the Closing to occur on or before such date;

(c) by the Purchaser, if there has been a material breach by NASH or the Securityholders of any representation, warranty, covenant or agreement set forth in this Agreement or any of the documents contemplated hereby which breach would result in the failure to satisfy one or more of the conditions set forth in Section 4.01 which NASH or the Shareholders, as applicable, fails to cure within ten (10) Business Days after written notice thereof is given by the Purchaser;

(d) by NASH if there has been a material breach by the Purchaser of any representation, warranty, covenant or agreement set forth in this Agreement or any of the documents contemplated hereby which breach would result in the failure to satisfy one or more of the conditions set forth in Section 4.03 which the Purchaser fails to cure within ten (10) Business Days after written notice thereof is given by NASH;

(e) by the Purchaser or NASH, if NASH completes an Alternative Transaction or enters into a definitive and binding agreement to effect an Alternative Transaction; and

(f) by any party, if any permanent injunction or other order of a court or other competent authority preventing the Closing shall have become final and non-appealable; provided, however, that no party shall be entitled to terminate this Agreement if such party's material breach of this Agreement or any of the documents contemplated hereby has resulted in such permanent injunction or order.

8.02 Effect of Termination

Upon termination of this Agreement in accordance with the terms hereof, the parties hereto shall have no further obligations under this Agreement, other than the obligations contained in Sections 11.03 and 11.08.

ARTICLE IX
INDEMNIFICATION

9.01 Indemnification by the Purchaser

Subject to Section 6.04, the Purchaser shall indemnify and save the Securityholders and NASH harmless for and from:

(a) any loss, damages or deficiencies suffered by the Shareholders or NASH as a result of any breach of representation, warranty or covenant on the part of the Purchaser contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement; and

(b) all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

9.02 Indemnification by NASH

Subject to Section 6.04, NASH shall indemnify and save the Purchaser harmless for and from:

(a) any loss, damages or deficiencies suffered by the Purchaser as a result of any breach of representation, warranty or covenant on the part of NASH contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement; and

(b) all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

9.03 Indemnification by Securityholders

Subject to Section 6.04, each of the Securityholders, on its own behalf, and not on behalf of any other Shareholder, severally (and for greater certainty, not jointly with any other Securityholder) shall indemnify and save the Purchaser harmless for and from:

(a) any loss, damages or deficiencies suffered by the Purchaser as a result of any breach by such Securityholder of any representation, warranty or covenant on the part of such Securityholder contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement; and

(b) all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

9.04 Notice of Claim

A party entitled to and seeking indemnification pursuant to the terms of this Agreement (the "**Indemnified Party**") shall promptly give written notice to the party or parties, as applicable, responsible for indemnifying the Indemnified Party (the "**Indemnifying Party**") of any claim for indemnification pursuant to Sections 9.01, 9.02 and 9.03 (a "**Claim**", which term shall include more than one Claim). Such notice shall specify whether the Claim arises as a result of a claim by a person against the Indemnified Party (a "**Third Party Claim**") or whether the Claim does not so arise (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available):

(a) the factual basis for the Claim; and

(b) the amount of the Claim, or, if any amount is not then determinable, an approximate and reasonable estimate of the likely amount of the Claim.

9.05 Procedure for Indemnification

(a) Direct Claims. With respect to Direct Claims, following receipt of notice from the Indemnified Party of a Claim, the Indemnifying Party shall have 30 days to make such investigation of the Claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying party the information relied upon by the Indemnified Party to substantiate the Claim. If the Indemnified Party and the Indemnifying Party agree at or prior to the expiration of such 30 day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim.

(b) Third Party Claims. With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its own expense, to participate in or assume control of the negotiation, settlement or defence of such Third Party Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's out-of-pocket expenses incurred as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall cooperate with the Indemnifying Party, shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim at its own expense and shall have the right to disagree on reasonable grounds with the selection and retention of counsel, in which case counsel satisfactory to the Indemnifying Party and the Indemnified Party shall be retained by the Indemnifying Party. If the Indemnifying Party, having elected to assume such control, thereafter fails to defend any such Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

9.06 General Indemnification Rules

The obligations of the Indemnifying Party to indemnify the Indemnified Party in respect of Claims shall also be subject to the following:

(a) without limiting the generality of Sections 9.01, 9.02 and 9.03, any Claim for breach of any representation, warranty or covenant shall be subject to Section 6.04;

(b) the Indemnifying Party's obligation to indemnify the Indemnified Party shall only apply to the extent that the Claims in respect of which the Indemnifying Party has given an indemnity, in the aggregate, exceed $5,000;

(c) notwithstanding anything to the contrary in this Agreement, the aggregate liability of an Indemnifying Party which is a Shareholder to any and all Indemnified Parties under this Article VIII shall be limited to the amount paid to such Indemnifying Party in respect of its Purchased Shares pursuant to Section 2.01; for greater certainty, no Shareholder shall be liable, in the aggregate, to any and all Indemnified Parties for any amount in excess of the value of its *pro rata* share of the Payment Shares;

(d) notwithstanding anything to the contrary in this Agreement, the aggregate liability of NASH or the Purchaser to any and all Indemnified Parties under this Article IX shall be limited to the value of the Payment Shares issuable under this Agreement;

(e) if any Third Party Claim is of a nature such that the Indemnified Party is required by applicable law to make a payment to any person (a **Third Party**") with respect to such Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and thereafter seek reimbursement from the Indemnifying Party for any such payment. If any Indemnifying Party pays, or reimburses an Indemnified Party in respect of any Third Party Claim before completion of settlement negotiations or related legal proceedings, and the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party;

(f) except in the circumstance contemplated by Section 9.05, and whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnified Party shall not negotiate, settle, compromise or pay any Third Party Claim except with the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld);

(g) the Indemnified Party shall not permit any right of appeal in respect of any Third Party Claim to terminate without giving the Indemnifying Party notice and an opportunity to contest such Third Party Claim;

(h) the Indemnified Party and the Indemnifying Party shall cooperate fully with each other with respect to Third Party Claims and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available); and

(i) the provisions of this Article IX shall constitute the sole remedy available to a party against another party with respect to any and all breaches of any agreement, covenant, representation or warranty made by such other party in this Agreement.

ARTICLE X
EXCLUSIVITY AND ACCESS

10.01 Obligations of NASH and Shareholders

Prior to the Termination Date, or the earlier termination of this Agreement, neither NASH nor the Shareholders shall, directly or indirectly, negotiate or deal with any party other than with the Purchaser relating to the sale or disposition of any part of the outstanding NASH Shares or assets of NASH, or solicit enquiries or provide information with respect to same. Notwithstanding the foregoing, nothing contained in this Agreement shall be interpreted to extend to the acts or omissions of any person acting in his or her capacity as a director or officer of NASH or otherwise to fetter the proper exercise of discretion of such person. In addition, nothing contained in this Agreement will prohibit, prevent or restrict NASH from furnishing or providing information in respect of or otherwise responding to or engaging in discussions or negotiations in respect of, an unsolicited Alternative Transaction not resulting from a breach of this Section 10.01, or the directors of NASH, in the fulfilment of their fiduciary duties, from supporting or facilitating any such unsolicited Alternative Transaction, or NASH or the Shareholders from completing any such Alternative Transaction, or entering into a definitive and binding agreement to effect such an Alternative Transaction, if directors of NASH determine in good faith, after consultation, to the extent considered appropriate by the directors, with its financial and legal advisors, that such unsolicited Alternative Transaction constitutes, or could reasonably be expected to lead to or result in, a transaction that would, if consummated in accordance with its terms, be more favourable to NASH or the Shareholders than the Transaction provided, however, that prior to taking such action, the directors of NASH shall have concluded, after considering applicable laws, and receiving advice of outside counsel, that such action would be a proper exercise of its fiduciary duties, or is otherwise required, under applicable laws, that it is appropriate that the directors take such action in order to properly discharge their fiduciary duties or that such action is otherwise required under applicable laws. In the event NASH or its Shareholders receive any form of offer or inquiry, NASH shall forthwith (in any event within one business day following receipt) notify the Purchaser of such offer or inquiry and provide the Purchaser with such details as it may request.

10.02 Obligations of Purchaser

Prior to the Termination Date, or the earlier termination of this Agreement, the Purchaser shall not, directly or indirectly, negotiate or deal with any party other than NASH relating to an Alternative Transaction involving the Purchaser or the acquisition by the Purchaser of all or any part of the outstanding shares or assets or property of any other person, or solicit enquiries or provide information with respect to same, provided that nothing herein shall prevent the board of directors of the Purchaser from responding to an unsolicited offer in accordance with their fiduciary duties as directors.

ARTICLE XI
GENERAL

11.01 Power of Attorney

Each of the Securityholders hereby severally and irrevocably appoints NASH as its agent and attorney to take any action that is required under the Agreement or to execute and deliver any documents on their behalf, including without limitation, for the purposes of all Closing matters (including without limitation, the receipt of certificates representing the Payment Shares or Replacement Warrants) and deliveries of documents and do and cause to be done all such acts and things as may be necessary or desirable in connection with the closing matters for the Transaction. Without limiting the generality of the foregoing, NASH may, on its own behalf and on behalf of the Securityholders, extend the Time of Closing, modify or waive any conditions as are contemplated herein, negotiate, settle and deliver the final forms of any documents that are necessary or desirable to give effect to the Transaction (other than any escrow agreements required that a Securityholder may be required to enter into), extend such time periods as may be contemplated herein or terminate this Agreement, in its absolute discretion, as it deems appropriate. Each of the Securityholders hereby acknowledges and agrees that any decision or exercise of discretion made by NASH under this Agreement, shall be final and binding upon the Securityholders so long as such decision or exercise was made in good faith. The Purchaser shall have no duty to enquire into the validity of any document executed or other action taken by NASH on behalf of the Securityholders pursuant to this Article XI.

11.02 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement (each, a "**notice**") shall be in writing shall be in writing addressed as follows:

(a) if to the Purchaser:

Breathtec Biomedical, Inc..
#915 - 700 West Pender Street
Vancouver, British Columbia V6C 1G8
Attention: Christopher Moreau, CEO and Director
E-mail: [****]

with a courtesy copy (which copy shall not constitute notice to the Purchaser) to:

McMillan LLP
1500 Royal Centre
1055 West Georgia Street
Vancouver, British Columbia V6E 4N7
Attention: Desmond Balakrishnan
E-mail: desmond.balakrishnan@mcmillan.ca

(b) if to NASH or the Securityholders:

NASH Pharmaceuticals Inc.
179 McDermot Avenue
Winnipeg, Manitoba R3B 0S1
Attention: Dr. Mark Williams, CEO
E-mail: [****]

or such other address as may be designated by notice given by either NASH or the Purchaser to the other in accordance with this Section 11.02. Each notice shall be personally delivered to the addressee or sent by e-mail to the addressee and a notice which is personally delivered or sent by email shall, if delivered or sent prior to 4:00 p.m. (local time of the recipient) on a Business Day, be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the next Business Day. Any notice delivered to NASH in accordance with this Section 11.02 prior to the Time of Closing shall be deemed to have been delivered to each of the Shareholders. The previous sentence of this Section 11.02 shall not apply to a notice given as contemplated in Section 4.04 of the occurrence, or failure to occur, of any event or state of facts which would or would likely to cause any of the representations or warranties of any Shareholder to be untrue or inaccurate or result in the failure by any Shareholder to comply with or satisfy any covenant, condition or agreement, which notice shall not be deemed to have been received by such Shareholder unless delivered to the address of such Shareholder as reflected in the books of NASH (or after the Time of Closing, the books of the Purchaser). Any Shareholder may, from time to time, by notice given in accordance with this Section 11.02, designate or provide an address of such Shareholder for notices to be given after the Time of Closing.

11.02 Confidentiality

Prior to Closing and, if the Transaction is not completed, at all times thereafter, each of the parties hereto will keep confidential and refrain from using all information obtained by it in connection with the transactions contemplated by this Agreement relating to any other party hereto, provided however that such obligation shall not apply to any information which was in the public domain at the time of its disclosure to a party or which subsequently comes into the public domain other than as a result of a breach of such party's obligations under this Section 11.03. For greater certainty, nothing contained herein shall prevent any disclosure of information which may be required pursuant to applicable laws or pursuant to an order in judicial or administrative proceedings or any other order made by any Governmental Authority.

11.03 Assignment

No party may assign this Agreement or its rights or obligations hereunder without the prior written consent of the other parties hereto.

11.04 Binding Effect

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.

11.05 Waiver

No waiver of any provision of this Agreement will constitute a waiver of any other provision, nor will any waiver constitute a continuing waiver unless otherwise expressly provided.

11.06 Governing Law

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and is to be treated in all respects as a British Columbia contract.

11.07 Expenses

NASH shall be responsible for its costs and expenses incurred with respect to the transactions contemplated herein, which are comprised of its legal and accounting fees and disbursements relating to preparing this Agreement and related documents specifically relating to the transactions contemplated herein, it being acknowledged, that documentation in respect of the Transaction shall, to as great an extent as reasonably possible, be prepared by the Purchaser's counsel with the assistance of NASH as needed. If during the term of this Agreement, the Transaction does not successfully complete, then each party will be responsible for its own expenses incurred. If either party terminates the Transaction prior to the end of the term of this Agreement and for reasons not found in Article IV then 100% of the Transaction expenses incurred up to cancellation date shall be payable by the cancelling party.

11.08 No Personal Liability

(a) No director, officer, employee or agent of the Purchaser shall have any personal liability whatsoever to NASH or the Securityholders under this Agreement or any other document delivered in connection with the Transaction on behalf of the Purchaser.

(b) No director, officer, employee or agent of NASH (in such capacity) shall have any personal liability whatsoever to the Purchaser under this Agreement or any other document delivered in connection with the Transaction on behalf of NASH.

11.10 Time of Essence

Time is of the essence of this Agreement and of each of its provisions.

11.11 Public Announcements

NASH and the Purchaser shall co-operate with the other in releasing information concerning this Agreement and the transactions contemplated herein, and shall furnish to and discuss with the other drafts of all press and other releases prior to publication. No press release or other public announcement concerning the proposed transactions contemplated by this Agreement will be made by any party hereto without the prior consent of the other parties, such consent not to be unreasonably withheld or delayed; provided that nothing contained herein shall prevent any party hereto at any time from furnishing any information to any Governmental Authority or to the public if so required by applicable law.

11.12 Further Assurances

Each party will, upon request but without further consideration, from time to time promptly execute and deliver all further documents and take all further action necessary or appropriate to give effect to and perform the provisions and intent of this Agreement and to complete the transactions contemplated herein.

11.13 Entire Agreement

This Agreement, together with the documents required to be delivered pursuant to this Agreement, constitute the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations, and discussions, whether oral or written, between the parties hereto with respect to the subject matter hereof including the letter agreement dated August 1, 2018 between the Purchaser and NASH (which letter agreement the Purchaser and NASH hereby agree is terminated). There are no representations, warranties, covenants or conditions with respect to the subject matter hereof except as contained in this Agreement and any document delivered pursuant to this Agreement.

11.14 Amendments

No amendment of any provision of this Agreement will be binding on any party unless consented to in writing by such party.

11.15 Severability

In the event that any provision or part of this Agreement is determined by any court or other judicial or administrative body to be illegal, null, void, invalid or unenforceable, that provision shall be severed to the extent that it is so declared and the other provisions of this Agreement shall continue in full force and effect.

11.16 Remedies Cumulative

The rights and remedies of the parties under this Agreement are cumulative and in addition to and not in substitution for any rights or remedies provided by law. Any single or partial exercise by any party hereto of any right or remedy for default or breach of any term, covenant or condition of this Agreement does not waive, alter, affect or prejudice any other right or remedy to which such party may be lawfully entitled for the same default or breach.

11.17 Counterparts

This Agreement may be executed and delivered in one or more counterparts and may be executed and delivered by facsimile or any other electronically communicated method, each of which when executed and delivered shall be deemed an original and all of which counterparts together shall be deemed to constitute one and the same instrument.

11.18 Independent Legal Advice

EACH SECURITYHOLDER ACKNOWLEDGES, CONFIRMS AND AGREES THAT HE, SHE OR IT HAS HAD THE OPPORTUNITY TO SEEK AND WAS NOT PREVENTED OR DISCOURAGED BY ANY PARTY HERETO FROM SEEKING INDEPENDENT LEGAL ADVICE PRIOR TO THE EXECUTION AND DELIVERY OF THIS AGREEMENT AND THAT, IN THE EVENT THAT ANY SECURITYHOLDER DID NOT AVAIL HIMSELF/HERSELF/ITSELF WITH THAT OPPORTUNITY PRIOR TO SIGNING THIS AGREEMENT, SUCH SECURITYHOLDER DID SO VOLUNTARILY WITHOUT ANY UNDUE PRESSURE AND AGREES THAT SUCH SECURITYHOLDER'S FAILURE TO OBTAIN INDEPENDENT LEGAL ADVICE SHALL NOT BE USED BY HIM/HER/IT AS A DEFENCE TO THE ENFORCEMENT OF HIS/HER/ITS OBLIGATIONS UNDER THIS AGREEMENT. EACH SECURITYHOLDER ACKNOWLEDGES AND AGREES THAT MCMILLAN LLP ONLY ACTS FOR THE PURCHASER, AND NEITHER REPRESENTS OR ACTS FOR THE SECURITYHOLDERS.

[Signature pages follow.]

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto on the date first above written.

BREATHTEC BIOMEDICAL, INC.

By: /s/ *Christopher Moreau*
Name: Christopher Moreau
Title: CEO and Director

NASH PHARMACEUTICALS INC.

By: /s/ *Mark Williams*
Name: Mark Williams
Title: CEO

[Signature pages of the Securityholders follows.]

NASH Shareholders and Warrantholders

[****]

SCHEDULE A

Shareholders of NASH

Name and Address of Shareholder	Number of Shares
[****]	
TOTAL	**15,800,000**

SCHEDULE B

Warrantholders of NASH

Name and Address of Warrantholder	Number of Warrants	Exercise Price of Warrant	Expiry Date of Warrant
[****]			
TOTAL:	**14,800,000**		

SCHEDULE C

NASH Shareholder Consent Agreement

NASH SHAREHOLDER CONSENT AGREEMENT

THIS AGREEMENT MADE EFFECTIVE AS OF_____, 2018 (the "**Agreement**").

AMONG:

BREATHTEC BIOMEDICAL, INC.
a corporation existing under the laws of British Columbia

(the "**Purchaser**")

AND:

NASH PHARMACEUTICALS INC.
a corporation existing under the laws of British Columbia

("**NASH**")

AND:

THE NEW NASH SHAREHOLDERS who have executed this Agreement

(individually a "**New NASH Shareholder**" and collectively the "**New NASH Shareholders**")

WHEREAS:

A. The Purchaser, NASH, the Shareholders and the Warrantholders entered into a Share Exchange Agreement dated effective September 26, 2018 and attached as Schedule "A" hereto (the "**Share Exchange Agreement**");

B. Pursuant to the Share Exchange Agreement, NASH agreed to the Transaction and further agreed to obtain the consent of the New NASH Shareholders to the Transaction (as defined therein); and

C. The New NASH Shareholder has agreed to provide such consent and to be bound by the terms of the Share Exchange Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do covenant and agree each with the other as follows:

1. Unless specifically defined herein or unless the context otherwise requires, terms used herein which are defined in the Share Exchange Agreement shall have the meanings ascribed to such terms in the Share Exchange Agreement.

2. On the execution of this Agreement by a New NASH Shareholder, such New NASH Shareholder covenants and agrees that it shall, together with the Shareholder (the "**New NASH Shareholder's Transferor**") from whom such New NASH Shareholder acquired common shares of NASH as trustee or nominee for the New NASH Shareholder's Transferor, be bound by all of the provisions of the Share Exchange Agreement as if such New NASH Shareholder and the New NASH Shareholder's Transferor were collectively an original party to the Share Exchange Agreement including, without limitation, all representations, warranties and covenants of the New NASH Shareholder's Transferor contained therein (provided that it is acknowledged and agreed that the New NASH Shareholder is the registered owner of the common shares of NASH acquired by the New NASH Shareholder referred to below, but is not the beneficial owner thereof, and that the New NASH Shareholder's Transferor is the beneficial owner of such shares).

3. This Agreement shall be subject to, governed by, and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein, and the parties hereby agree to attorn to the exclusive jurisdiction of the Courts of British Columbia and not to commence any form of proceedings in any other forum.

4. This Agreement may be signed by facsimile (including in .pdf format) and in counterpart, and each copy so signed shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

BREATHTEC BIOMEDICAL, INC.

Per: _____
Authorized Signatory

NASH PHARMACEUTICALS INC.

Per: _____
Authorized Signatory

AND THE FOLLOWING NEW NASH SHAREHOLDER:

Name: _____

Number of Shares: _____

Address: _____
_____
_____

Signed: _____

Witness Name: _____

Signed: _____

DATE: _____

SCHEDULE D

U.S. Representation Letter for U.S. Securityholders

TO: **BREATHTEC BIOMEDICAL, INC. ("Breathtec")**

RE: **ACQUISITION OF SECURITIES OF BREATHTEC PURSUANT TO SHARE EXCHANGE AGREEMENT (the "Securities")**

Capitalized terms not specifically defined in this certification have the meaning ascribed to them in the Share Exchange Agreement to which this Schedule is attached. In the event of a conflict between the terms of this certification and such Share Exchange Agreement, the terms of this certification shall prevail.

In addition to the covenants, representations and warranties contained in the Share Exchange Agreement to which this Schedule is attached, the undersigned (the "**U.S. Securityholder**") covenants, represents and warrants to Breathtec that:

(a) It has such knowledge, skill and experience in financial, investment and business matters as to be capable of evaluating the merits and risks of an investment in the Securities and it is able to bear the economic risk of loss of its entire investment. To the extent necessary, the U.S. Securityholder has retained, at his or her own expense, and relied upon, appropriate professional advice regarding the investment, tax and legal merits and consequences of the Share Exchange Agreement and owning the Securities.

(b) Breathtec has provided to it the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and it has had access to such information concerning Breathtec as it has considered necessary or appropriate in connection with its investment decision to acquire the Securities, including access to Breathtec's public filings available on the Internet at www.sedar.com, and that any answers to questions and any request for information have been complied with to the U.S. Securityholder's satisfaction.

(c) It is acquiring the Securities for its own account, for investment purposes only and not with a view to any resale or distribution and, in particular, it has no intention to distribute either directly or indirectly the Securities in the United States or to, or for the account or benefit of, a U.S. Person or a person in the United States; provided, however, that this paragraph shall not restrict the U.S. Securityholder from selling or otherwise disposing of the Securities pursuant to registration thereof pursuant to the U.S. Securities Act and any applicable state securities laws or under an exemption from such registration requirements.

(d) The address of the U.S. Securityholder set out in the signature block below is the true and correct principal address of the U.S. Securityholder and can be relied on by Breathtec for the purposes of state blue-sky laws and the U.S. Securityholder has not been formed for the specific purpose of purchasing the Securities.

(e) It understands (i) the Securities have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States; and (ii) the offer and sale contemplated hereby is being made in reliance on an exemption from such registration requirements in reliance on Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act.

(f) The U.S. Securityholder is

(i) an "accredited investor" as defined in Rule 501(a) of Regulation D of the U.S. Securities Act by virtue of meeting one of the following criteria set forth in Appendix A hereto (**please hand-write your initials on the appropriate lines on Appendix A**), which Appendix A forms an integral part hereof; or

(ii) is not an "accredited investor" as defined in Rule 501(a) of Regulation D of the U.S. Securities Act, has a pre-existing substantive relationship with Breathtec, and has completed Appendix B hereto, which forms an integral part hereof.

(g) The U.S. Securityholder has not purchased the Securities as a result of any form of "general solicitation" or "general advertising" (as those terms are used in Regulation D under the U.S. Securities Act), including advertisements, articles, press releases, notices or other communications published in any newspaper, magazine or similar media or on the Internet, or broadcast over radio or television, or the Internet or other form of telecommunications, including electronic display, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

(h) It acknowledges that the Securities will be "restricted securities", as such term is defined in Rule 144(a)(3) under the U.S. Securities Act, and may not be offered, sold, pledged, or otherwise transferred, directly or indirectly, without prior registration under the U.S. Securities Act and applicable state securities laws, and it agrees that if it decides to offer, sell, pledge or otherwise transfer, directly or indirectly, any of the Securities, it will not offer, sell or otherwise transfer, directly or indirectly, the Securities except:

(i) to Breathtec;

(ii) outside the United States in an "offshore transactions" meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act, if available, and in compliance with applicable local laws and regulations;

(iii) in compliance with the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in accordance with any applicable state securities or "blue sky" laws; or

(iv) in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws governing the offer and sale of securities,

and, in the case of each of (iii) and (iv) above, it has prior to such sale furnished to Breathtec and opinion of counsel in form and substance reasonably satisfactory to Breathtec stating that such transaction is exempt from registration under applicable securities laws and that the legend referred to in paragraph (k) below may be removed.

(i) It understands and agrees that the Securities may not be acquired in the United States or by a U.S. Person or on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States unless registered under the U.S. Securities Act and any applicable state securities laws or unless an exemption from such registration requirements is available.

(j) It acknowledges that it has not purchased the Securities as a result of, and will not itself engage in, any "directed selling efforts" (as defined in Regulation S under the U.S. Securities Act) in the United States in respect of the Securities which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of the Securities.

(k) The certificates representing the Securities issued hereunder, as well as all certificates issued in exchange for or in substitution of the foregoing, until such time as the same is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws and regulations, will bear, on the face of such certificate, the following 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 BREATHTEC VENTURES CORP. (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 AND IN ACCORDANCE WITH ALL LOCAL LAWS AND REGULATIONS; (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 CLAUSE (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."

provided, that if the Securities are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S in circumstances where Rule 905 of Regulation S does not apply, and in compliance with Canadian local laws and regulations, the legend set forth above may be removed by providing an executed declaration to the registrar and transfer agent of Breathtec, in substantially the form set forth as Appendix C attached hereto (or in such other forms as Breathtec may prescribe from time to time) and, if requested by Breathtec or the transfer agent, an opinion of counsel of recognized standing in form and substance reasonably satisfactory to Breathtec and the transfer agent to the effect that such sale is being made in compliance with Rule 904 of Regulation S; and provided, further, that, if any Securities are being sold otherwise than in accordance with Regulation S and other than to Breathtec, the legend may be removed by delivery to the registrar and transfer agent and Breathtec of an opinion of counsel, of recognized standing reasonably satisfactory to Breathtec, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

(l) It understands and agrees that there may be material tax consequences to the U.S. Securityholder of an acquisition, holding or disposition of any of the Securities. Breathtec gives no opinion and makes no representation with respect to the tax consequences to the U.S. Securityholder under United States, state, local or foreign tax law of the undersigned's acquisition, holding or disposition of such Securities. In particular, no determination has been made whether Breathtec will be a "passive foreign investment company" within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended.

(m) It consents to Breathtec making a notation on its records or giving instructions to any transfer agent of Breathtec in order to implement the restrictions on transfer set forth and described in this certification and the Share Exchange Agreement.

(n) It understands that (i) Breathtec may be deemed to be an issuer that is, or that has been at any time previously, an issuer with no or nominal operations and no or nominal assets other than cash and cash equivalents (a "**Shell Company**"), (ii) if Breathtec is deemed to be, or to have been at any time previously, a Shell Company, Rule 144 under the U.S. Securities Act may not be available for resales of the Securities, and (iii) Breathtec is not obligated to make Rule 144 under the U.S. Securities Act available for resales of the Securities.

(o) It understands and agrees that the financial statements of Breathtec have been prepared in accordance with International Financial Reporting Standards and therefore may be materially different from financial statements prepared under U.S. generally accepted accounting principles and therefore may not be comparable to financial statements of United States companies.

(p) It understands and acknowledges that Breathtec is incorporated outside the United States, consequently, it may be difficult to provide service of process on Breathtec and it may be difficult to enforce any judgment against Breathtec.

(q) It understands that Breathtec does not have any obligation to register the Securities under the U.S. Securities Act or any applicable state securities or "blue-sky" laws or to take action so as to permit resales of the Securities. Accordingly, the U.S. Securityholder understands that absent registration, it may be required to hold the Securities indefinitely. As a consequence, the U.S. Securityholder understands it must bear the economic risks of the investment in the Securities for an indefinite period of time.

The foregoing representations contained in this certificate are true and accurate as of the date of this certificate and will be true and accurate as of the Time of Closing. If any such representations shall not be true and accurate prior to the Time of Closing, the undersigned shall give immediate written notice of such fact to Breathtec prior to the Time of Closing.

ONLY U.S. SECURITYHOLDERS NEED COMPLETE AND SIGN

Dated_____2018.

X _____
Signature of individual (if U.S. Securityholder **is** an individual)

X _____
Authorized signatory (if U.S. Securityholder is **not** an individual)

_____
Name of U.S. Securityholder (**please print**)

_____
Address of U.S. Securityholder (**please print**)

_____
Name of authorized signatory (**please print**)

_____
Official capacity of authorized signatory (**please print**)

Appendix "A" to

U.S. REPRESENTATION LETTER FOR U.S. SECURITYHOLDERS

TO BE COMPLETED BY U.S. SECURITYHOLDERS THAT ARE U.S. ACCREDITED INVESTORS

In addition to the covenants, representations and warranties contained in the Share Exchange Agreement and the Schedule "D" to which this Appendix is attached, the undersigned (the "**U.S. Securityholder**") covenants, represents and warrants to Breathtec that the U.S. Securityholder is an "accredited investor" as defined in Rule 501(a) of Regulation D of the U.S. Securities Act by virtue of meeting one of the following criteria (**please hand-write your initials on the appropriate lines**):

1. Initials _____ Any bank as defined in Section 3(a)(2) of the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the U.S. Securities Exchange Act of 1934; any insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; any investment company registered under the U.S. Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the U.S. Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of US$5,000,000; any employee benefit plan within the meaning of the U.S. *Employee Retirement Income Security Act of 1974* if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of US$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are "accredited investors" (as such term is defined in Rule 501 of Regulation D of the U.S. Securities Act);

2. Initials _____ Any private business development company as defined in Section 202(a)(22) of the U.S. *Investment Advisers Act of 1940*;

-

3. Initials _____ Any organization described in Section 501(c)(3) of the U.S. *Internal Revenue Code*, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of US$5,000,000;

-

4. Initials _____ Any trust with total assets in excess of US$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person (being defined as a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment);

5. Initials _____ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of purchase, exceeds US$1,000,000 (for the purposes of calculating net worth),

(i) the person's primary residence shall not be included as an asset;

(ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of this certification, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of this certification exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and

(iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability;

6. Initials _____ A natural person who had annual gross income during each of the last two full calendar years in excess of US$200,000 (or together with his or her spouse in excess of US$300,000) and reasonably expects to have annual gross income in excess of US$200,000 (or together with his or her spouse in excess of US$300,000) during the current calendar year, and no reason to believe that his or her annual gross income will not remain in excess of US$200,000 (or that together with his or her spouse will not remain in excess of US$300,000) for the foreseeable future;

7. Initials _____ Any director or executive officer of Breathtec; or

8. Initials _____ Any entity in which all of the equity owners meet the requirements of at least one of the above categories - if this category is selected, you must identify each equity owner and provide statements from each demonstrating how they qualify as an accredited investor.

ONLY U.S. SECURITYHOLDERS WHO ARE ACCREDITED INVESTORS NEED TO COMPLETE AND SIGN

Dated_____2018.

X _____
Signature of individual (if U.S. Securityholder **is** an individual)

X _____
Authorized signatory (if U.S. Securityholder is **not** an individual)

_____
Name of U.S. Securityholder (**please print**)

_____
Address of U.S. Securityholder (**please print**)

_____
Name of authorized signatory (**please print**)

_____
Official capacity of authorized signatory (**please print**)

Appendix "B" to

U.S. REPRESENTATION LETTER FOR U.S. SECURITYHOLDERS

TO BE COMPLETED BY U.S. SECURITYHOLDERS THAT ARE NOT U.S. ACCREDITED INVESTORS

In addition to the covenants, representations and warranties contained in the Share Exchange Agreement and the Schedule "D" to which this Appendix is attached, the undersigned (the "**U.S. Securityholder**") covenants, represents and warrants to Breathtec Biomedical, Inc. (also referred to herein as the "**Company**") that the U.S. Securityholder understands that the Securities have not been and will not be registered under the U.S. Securities Act and that the offer and sale of the Securities to the U.S. Securityholder contemplated by the Share Exchange Agreement is intended to be a private offering pursuant to Section 4(a)(2) of the U.S. Securities Act.

Your answers will at all times be kept strictly confidential. However, by signing this suitability questionnaire (the "**Questionnaire**") the U.S. Securityholder agrees that the Company may present this Questionnaire to such parties as may be appropriate if called upon to verify the information provided or to establish the availability of an exemption from registration of the private offering under the federal or state securities laws or if the contents are relevant to issue in any action, suit or proceeding to which the Company is a party or by which it is or may be bound. A false statement by the U.S. Securityholder may constitute a violation of law, for which a claim for damages may be made against the U.S. Securityholder. Otherwise, your answers to this Questionnaire will be kept strictly confidential.

Please complete the following questionnaire:

1. Relationship to the Officers of Directors

Are you a relative of a director, senior officer or control person of the Company:	**Yes:**_____ **No:** _____
If yes, state the name of the director, senior officer or control person of the Company	_____
If yes, state the relationship to the director, senior officer or control person of the Company	_____

2. Close Friend of Officer or Director

Are you a close personal friend of a director, senior officer or control person of the Company:	**Yes:**_____ **No:** _____

If yes, state the name of the director, senior officer or control person of the Company	
If yes, state how long you have known the director, senior officer or control person of the Company	

A close personal friend is an individual who has known the director, senior officer or control person for a sufficient period of time to be in a position to assess the capabilities and trustworthiness of the director, senior officer or control person. An individual is not a close personal friend solely because the individual is a member of the same organization, association or religious group.

3. Close Business Associate of an Officer or Director

Are you a close business associate of a director, senior officer or control person of the Company:	**Yes:**_____ **No:** _____
If yes, state the name of the director, senior officer or control person of the Company	
If yes, describe your business relationship with the director, senior officer or control person of the Company	

A close business associate is an individual who has had sufficient prior business dealings with the director, senior officer or control person to be in a position to assess the capabilities and trustworthiness of the director, senior officer or control person. A casual business associate or a person introduced or solicited for the purpose of purchasing securities is not a close business associate. An individual is not a close business associate solely because the individual is a client or former client. For example, an individual is not a close business associate of a registrant or former registrant solely because the individual is a client or former client of that registrant or former registrant. The relationship between the individual and the director, senior officer or control person must be direct. For example, the exemption is not available for a close business associate of a close business associate of a director, senior officer or control person.

4. Income

"**income**" shall mean adjusted gross income as reported for federal tax purposes reduced by (a) any deduction for long term capital gain, (b) any deduction for depletion, (c) any exclusion for interest and (d) any losses allocated to the U.S. Securityholder as an individual

(a) Was your annual income for the calendar year ended December 31, 2017 over US$150,000?

Yes_____**No** _____

(b) Was your annual income for the calendar year ended December 31, 2016 over $150,000?

Yes_____No _____

(c) Do you anticipate that your annual income for the year ended December 31, 2018 will be over $150,000?

Yes_____No _____

(d) Do you anticipate that your current amount of income will change in the foreseeable future?

Yes_____No _____
If so, when, why and to what amount will that income change?:

(e) If your responses to questions 4(a) through 4(c) were "No," please provide your annual income for the calendar years ending December 31, 2017 and December 31, 2016.

December 31, 2017: $
December 31, 2016: $

(f) If your responses to questions 4(a) through 4(c) were "No" please provide your joint annual income with your spouse for the calendar years ending December 31, 2017 and December 31, 2016.

December 31, 2017: $
December 31, 2016: $

5. Net Worth

(a) Please provide your net worth (for the purposes of calculating net worth: (i) your primary residence shall not be included as an asset; (ii) indebtedness that is secured by your primary residence, up to the estimated fair market value of the primary residence at the time of the sale and purchase of Securities contemplated by the accompanying Share Exchange Agreement, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale and purchase of the Securities contemplated by the accompanying Share Exchange Agreement exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) indebtedness that is secured by your primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability)

Net Worth: $

(b) Does your proposed purchase of the Securities exceed:

____ 10% of your net worth (excluding your personal residence, home furnishings and automobiles)?

____ 20% of your net worth (excluding your personal residence, home furnishings and automobiles)?

6. Educational Background

(a) Briefly describe educational background, relevant institutions attended, dates, degrees:

(b) Briefly describe business involvement or employment during the past 10 years or since graduation from school, whichever period is shorter. (Specific employers need not be named. A sufficient description is needed to assist the Company in determining the extent of vocationally related experience in financial and business matters).

7. Investment experience

(a) Please indicate the frequency of your investment in marketable securities:

( ) Often; ( ) Occasionally; ( ) Seldom; ( ) Never.

(b) Please indicate the frequency of your investment in commodities futures:

( ) Often; ( ) Occasionally; ( ) Seldom; ( ) Never.

(c) Please indicate the frequency of your investment in options:

( ) Often; ( ) Occasionally; ( ) Seldom; ( ) Never.

(d) Please indicate the frequency of your investment in securities purchased on margin:

( ) Often; ( ) Occasionally; ( ) Seldom; ( ) Never.

(e) Please indicate the frequency of your investment in unmarketable securities;

( ) Often; ( ) Occasionally; ( ) Seldom; ( ) Never.

(f) Have your purchased securities sold in reliance on the private offering exemptions from registration pursuant to the U.S. Securities Act or any state laws during the past three years?

Yes_____ No _____

If you answered "Yes," please provide the following information:

Year	Nature of Security	Business of issuer	Total amount invested

(g) Do you believe you have sufficient knowledge and experience in financial and business affairs that you can evaluate the merits and risks of a purchase of the Securities?

Yes_____ No _____

(h) Do you believe you have sufficient knowledge of investments in general, and investments similar to a purchase of the Securities in particular, to evaluate the risks associated with a purchase of the Securities?

Yes_____ No _____

You hereby acknowledge that the foregoing statements are true and accurate to the best of your information and belief and that you will promptly notify the Company of any changes in the foregoing answers.

ONLY U.S. SECURITYHOLDERS WHO ARE NOT ACCREDITED INVESTORS NEED TO COMPLETE AND SIGN

Dated_____2018.

X _____
Signature of individual (if U.S. Securityholder **is** an individual)

X _____
Authorized signatory (if U.S. Securityholder is **not** an individual)

_____
Name of U.S. Securityholder (**please print**)

_____
Address of U.S. Securityholder (**please print**)

_____
Name of authorized signatory (**please print**)

_____
Official capacity of authorized signatory (**please print**)

Appendix "C" to

U.S. REPRESENTATION LETTER FOR U.S. SECURITYHOLDERS

Form of Declaration for Removal of Legend

TO: BREATHTEC BIOMEDICAL, INC. (the "Corporation")

TO: Registrar and transfer agent for the shares of the Corporation

The undersigned (A) acknowledges that the sale of_____(the "**Securities**") of the Corporation, represented by certificate number(s)_____, to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and (B) certifies that (1) the undersigned is not (a) an "affiliate" of the Corporation (as that term is defined in Rule 405 under the U.S. Securities Act, except any officer or director of the Company who is an affiliate solely by virtue of holding such position) (b) a "distributor" as defined in Regulation S or (c) an affiliate of a distributor; (2) the offer of such Securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another "designated offshore securities market", and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such Securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the Securities are "restricted securities" (as that term is defined in Rule 144(a)(3) under the U. S. Securities Act); (5) the seller does not intend to replace such Securities with fungible unrestricted securities; and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

Dated_____20__ .

X _____
Signature of individual (if Seller **is** an individual)

X _____
Authorized signatory (if Seller is **not** an individual)

_____
Name of Seller (**please print**)

_____
Name of authorized signatory (**please print**)

_____
Official capacity of authorized signatory (**please print**)

Affirmation by Seller's Broker-Dealer
(Required for sales pursuant to Section (B)(2)(b) above)

We have read the foregoing representations of our customer,_____(the "**Seller**"), dated_____, 20____, with regard to the sale, for such Seller's account, of_____common shares (the "**Securities**") of Breathtec Biomedical, Inc. (the "Corporation") represented by certificate number(s) _____. We have executed sales of the Securities pursuant to Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), on behalf of the Seller. In that connection, we hereby represent to you as follows:

(1) no offer to sell Securities was made to a person in the United States;

(2) the sale of the Securities was executed in, on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another "designated offshore securities market" (as defined in Rule 902(b) of Regulation S under the U.S. Securities Act), and, to the best of our knowledge, the sale was not pre-arranged with a buyer in the United States;

(3) no "directed selling efforts" were made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and

(4) we have done no more than execute the order or orders to sell the Securities as agent for the Seller and will receive no more than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

For purposes of these representations: "affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned; "directed selling efforts" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Securities (including, but not be limited to, the solicitation of offers to purchase the Securities from persons in the United States); and "United States" means the United States of America, its territories or possessions, any State of the United States, and the District of Columbia.

Legal counsel to the Corporation shall be entitled to rely upon the representations, warranties and covenants contained herein to the same extent as if this affirmation had been addressed to them.

Name of Firm

_____
Name of Firm

By: _____
Authorized Officer

Dated: _____20_____

Execution Version

AGENCY AGREEMENT

September 30, 2019

Algernon Pharmaceuticals Inc.
Suite 915 - 700 West Pender Street
Vancouver, BC
V6C 1G8

Attention: Christopher Moreau, Chief Executive Officer

Dear Sir:

Algernon Pharmaceuticals Inc. (the "**Company**") hereby engages Mackie Research Capital Corporation (the "**Agent**") to act as its exclusive agent to offer and sell on a commercially reasonable "best efforts" agency basis a minimum of $2,500,000 of units (the "**Minimum Offering**") and a maximum of up to $5,000,000 of units (the "**Maximum Offering**") of the Company (the "**Initial Units**"), at an offering price of $0.11 per Initial Unit (the "**Issue Price**"), upon and subject to the terms and conditions contained herein (the "**Offering**"). Each Initial Unit shall consist of one Common Share (as defined below) (each an "**Initial Share**" and collectively the "**Initial Shares**") and one Common Share purchase warrant of the Company (each such Common Share purchase warrant being an "**Initial Warrant**" and collectively, the "**Initial Warrants**"). For greater certainty, the Minimum Offering shall consist of 27,727,272 Initial Units and the Maximum Offering shall consist of 45,454,545 Initial Units.

Upon and subject to the terms and conditions herein set forth and in reliance upon the representations and warranties herein contained, the Company hereby grants to the Agent an over-allotment option (the "**Over-Allotment Option**") to purchase up to an additional 6,818,181 units of the Company (the "**Additional Units**") at a price equal to the Issue Price, that is exercisable in whole or in part, and at any time and from time to time, on or before 5:00 p.m. (Toronto time) on the date that is 30 days after and including the Closing Date (as defined below). Each Additional Unit shall consist of one Common Share (each an "**Additional Share**" and collectively the "**Additional Shares**") and one Common Share purchase warrant of the Company (each such Common Share purchase warrant being an "**Additional Warrant**" and collectively the "**Additional Warrants**"). The Agent can elect to exercise the Over- Allotment Option for Additional Units, Additional Shares and/or Additional Warrants. The purchase price for Additional Warrants purchased upon exercise of the Over-Allotment Option is $0.0161 per Additional Warrant, and the purchase price per Additional Share purchased upon exercise of the Over-Allotment Option is $0.0939 per Additional Share.

Delivery of and payment for any Additional Units, Additional Shares and/or Additional Warrants will be made at the time and on the date (each an "**Option Closing Date**") as set out in a written notice of the Agent referred to below, which Option Closing Date may occur on the Closing Date but will in no event occur earlier than the Closing Date, nor earlier than two (2) Business Days (as defined below) or later than seven (7) Business Days after the date upon which the Company receives a written notice from the Agent setting out the number of Additional Units, Additional Shares and/or Additional Warrants to be purchased by the Agent. Any such notice must be received by the Company not later than 5:00 p.m. (Toronto time) on the date that is 30 days after the Closing Date. Upon the furnishing of such a notice, the Company will be committed to sell and deliver to the Agent in accordance with and subject to the provisions of this Agreement, the number of Additional Units, Additional Shares and/or Additional Warrants indicated in such notice.

Unless the context otherwise requires or unless otherwise specifically stated, all references in this Agreement to (i) the "**Offering**" shall be deemed to include the Over-Allotment Option, (ii) the "**Offered Units**" shall mean, collectively, the Initial Units and the Additional Units, (iii) the "**Shares**" shall mean, collectively, the Initial Shares, the Additional Shares and the Compensation Shares (as defined below), and (iv) the "**Warrants**" shall mean, collectively, the Initial Warrants, the Additional Warrants and the Compensation Warrants (as defined below).

The Warrants shall be created and issued pursuant to a warrant indenture (the "**Warrant Indenture**") to be dated as of the Closing Date between the Company and AST Trust Company (Canada), in its capacity as warrant agent thereunder (the "**Warrant Agent**"). Each Warrant will entitle the holder thereof to acquire one Common Share (each a "**Warrant Share**" and collectively the "**Warrant Shares**") at a price of $0.13 per Warrant Share, subject to adjustment in accordance with the Warrant Indenture, for a period of 30 months from the Closing Date, subject to accelerated expiry. If, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the Common Shares on the CSE (as defined below), or other principal exchange on which the Shares are listed, exceeds $0.39 for 20 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the Warrant Agent and the registered holders of Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice (the "**Accelerated Exercise Period**"). Any unexercised Warrants shall automatically expire at the end of the Accelerated Exercise Period.

In consideration of the Agent's services to be rendered in connection with the Offering, the Company agrees: (A) to pay to the Agent (i) at the Closing Time (as defined below) on the Closing Date, an aggregate cash fee equal to 9.0% of the gross proceeds from the sale of the Initial Units, and (ii) at the Closing Time on each Option Closing Date, an aggregate cash fee equal to 9.0% of the gross proceeds from the sale of the Additional Units, Additional Shares and/or Additional Warrants purchased at that time (the fees referred to in (A)(i) and (A)(ii) are collectively the "**Agent's Fees**"); and (B) to issue to the Agent (i) at the Closing Time on the Closing Date compensation options ("**Compensation Options**") equal to 9.0% of the number of Initial Units, and (ii) at the Closing Time on each Option Closing Date, Compensation Options equal to 9.0% of the number of Additional Units purchased in connection with the Over-Allotment Option. Each Compensation Option will be exercisable for one unit of the Company (each a "**Compensation Unit**" and collectively, the "**Compensation Units**") for a period of 30 months following the Closing Date at the Issue Price. Each Compensation Unit shall consist of one Common Share (each a "**Compensation Share**" and collectively the "**Compensation Shares**") and one Common Share purchase warrant of the Company (each such Common Share purchase warrant, a "**Compensation Warrant**" and collectively, the "**Compensation Warrants**").

The Company agrees that the Agent will be permitted to appoint, at the sole cost and expense of the Agent, other registered dealers (or other dealers duly qualified in their respective jurisdictions) as its agents to assist in the Offering, and that the Agent may determine the remuneration payable to such other dealers appointed by it.

The Agent understands (i) that the Company has prepared and filed a Preliminary Prospectus (as defined below) to qualify the distribution of the Offered Units in each of the Qualifying Jurisdictions (as defined below) and has received the Preliminary Receipt (as defined below) therefor; and (ii) that the Company has prepared and will file the Prospectus (as defined below) with the Securities Commissions (as defined below) in each of the Qualifying Jurisdictions to qualify the distribution of the Offered Units promptly after the execution of this Agreement.

The Company and the Agent agree that any offers to sell or sales of the Offered Units to purchasers that are in the United States or to, or for the account or benefit of, U.S. Persons (as defined below), (i) be made in compliance with Schedule "A" attached hereto, which forms part of this Agreement, and allows for the Agent, acting through its U.S. Affiliates (as defined below), to offer and sell the Offered Units in the United States to Accredited Investors (as defined below) in accordance with Rule 506(b) (as defined below); (ii) be conducted in such a manner so as not to require registration thereof or the filing of a prospectus or an offering memorandum with respect thereto under the U.S. Securities Act (as defined below); and (iii) be conducted through one or more duly registered U.S. Affiliates (as defined below) of the Agent in compliance with applicable federal and state securities laws of the United States. In addition, the Agent agrees that all offers and sales of Offered Units outside the United States have been made and will be made in accordance with the requirements of Schedule "A" applicable thereto.

The Agent acknowledge that the Compensation Options, the Compensation Units, the Compensation Warrants, the Compensation Shares and the Shares issuable on exercise of the Compensation Warrants (collectively, the "**Compensation Securities**") have not been and will not be registered under the U.S. Securities Act, and the Compensation Warrants may not be exercised in the United States or by, or for the account or benefit of, any U.S. Person or person in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act. In connection with the issuance of the Compensation Securities, as the case may be, the Agent represents and warrants that (i) it is not a U.S. Person and it is not acquiring the Compensation Securities in the United States, or on behalf of a U.S. Person or a person located in the United States, (ii) this Agreement was executed and delivered outside the United States, and (iii) it is acquiring the Compensation Securities as principal for its own account and not for the benefit of any other person.

The Offering is conditional upon and subject to the additional terms and conditions set forth below. The following are additional terms and conditions of the Agreement between the Company and the Agent:

1. Interpretation

Definitions - In addition to the terms previously defined and terms defined elsewhere in this Agreement (as defined below) (including the schedules hereto), where used in this Agreement or in any amendment hereto, the following terms shall have the following meanings, respectively:

"**Accredited Investor**" has the meaning given to it in Schedule "A" to this Agreement;

"**Agent's Information**" means the disclosure relating solely to the Agent provided to the Company by or on behalf of the Agent in writing for inclusion in any of the Offering Documents;

"**Agreement**" means this agency agreement dated September 30, 2019 between the Company and the Agent, as the same may be supplemented, amended and/or restated from time to time;

"**Ancillary Documents**" means all agreements, indentures (including the Warrant Indenture), certificates (including the certificates, if any, representing the Offered Units, and the Compensation Options), officer's certificates, notices and other documents executed and delivered, or to be executed and delivered, by the Company in connection with the Offering, whether pursuant to Applicable Securities Laws or otherwise;

"**Applicable Anti-Money Laundering Laws**" has the meaning ascribed thereto in Section 8(ppp) of this Agreement;

"**Applicable Healthcare Laws**" means all statutes, regulations, statutory rules, orders, by-laws, codes, ordinances, decrees, the terms and conditions of any grant of approval, permission, authority or licence, or any judgment, order, decision, ruling, award, policy or guideline, of any Governmental Authority, applicable to the development, testing, manufacturing, market authorization, packaging, labeling, advertising, importation, storage, post-market monitoring, distribution or sale of the Products.

"**Applicable Laws**" means, in relation to any person or persons, the Applicable Securities Laws, the Applicable Healthcare Laws, and all other statutes, regulations, rules, orders, by-laws, codes, ordinances, decrees, the terms and conditions of any grant of approval, permission, authority or licence, or any judgment, order, decision, ruling, award, policy or guidance document that are applicable to such person or persons or its or their business, undertaking, property or securities and emanate from a Governmental Authority having jurisdiction over the person or persons or its or their business, undertaking, property or securities;

"**Applicable Securities Laws**" means, collectively, (i) the applicable securities laws of each of the Qualifying Jurisdictions and their respective regulations, rulings, rules, blanket orders, instruments (including national and multinational instruments), fee schedules and prescribed forms thereunder, the applicable policy statements issued by the Securities Commissions and the rules and policies of the CSE and (ii) all applicable securities laws in the United States, including without limitation, the U.S. Securities Act, the U.S. Exchange Act and the rules and regulations promulgated thereunder, and any applicable state securities laws;

"**Assets and Properties**" with respect to any person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, tangible or intangible, choate or inchoate, absolute, accrued, contingent, fixed or otherwise, and, in each case, wherever situated), including the goodwill related thereto, operated, owned, licensed or leased by or in the possession of such person;

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**BCSC**" means the British Columbia Securities Commission;

"**Beneficiaries**" has the meaning ascribed thereto in Section 13(c) of this Agreement;

"**Business Acquisition Report**" means the business acquisition report of the Company dated September 13, 2019;

"**Business Day**" means a day, other than a Saturday, a Sunday or a day on which chartered banks are not open for business in Vancouver, British Columbia or Toronto, Ontario;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Claims**" and "**Claim**" have the meanings ascribed thereto in Section 13(a) of this Agreement;

"**Closing**" means the closing of the Offering;

"**Closing Date**" means October 16, 2019 or such earlier or later date (not to exceed 90 days from the date of the Final Receipt) as may be agreed to in writing by the Company and the Agent, each acting reasonably;

"**Closing Time**" means 8:00 a.m. (Toronto time) on the Closing Date or Option Closing Date, as applicable, or such other time on the Closing Date or Option Closing Date, as applicable, as may be agreed to by the Company and the Agent;

"**Common Shares**" means the class A common shares in the capital of the Company;

"**Contract**" means all agreements, contracts or commitments of any nature, written or oral, including, for greater certainty and without limitation, licenses, leases, loan documents and security documents;

"**CSE**" means the Canadian Securities Exchange;

"**Disclosure Record**" means the Company's prospectuses, annual reports, annual and interim financial statements, annual information forms, business acquisition reports, management discussion and analysis of financial condition and results of operations, information circulars, material change reports, press releases and all other information or documents required to be filed or furnished by the Company under Applicable Securities Laws which have been publicly filed or otherwise publicly disseminated by the Company;

"**distribution**" means distribution or distribution to the public, as the case may be, for the purposes of the Applicable Securities Laws;

"**Documents Incorporated by Reference**" means the documents specified in the Preliminary Prospectus, Prospectus or any Supplemental Material, as the case may be, as being incorporated therein by reference or which are deemed to be incorporated therein by reference pursuant to Applicable Securities Laws, including for greater certainty the Marketing Materials and the Term Sheets;

"**Eligible Issuer**" means an issuer which meets the criteria and has complied with the requirements of NI 44-101 so as to be qualified to offer securities by way of a short form prospectus under Applicable Securities Laws;

"**Encumbrance**" means any charge, mortgage, hypothec, lien, pledge, claim, restriction, security interest or other encumbrance whether created or arising by agreement, statute or otherwise pursuant to any Applicable Laws, attaching to property, interests or rights;

"**Final Receipt**" means the Passport Receipt for the Prospectus;

"**Financial Information**" means the Financial Statements and certain other financial information of the Company and the Subsidiaries (including financial forecasts, auditors' reports, accounting data, management's discussion and analysis of financial condition and results of operations) included or incorporated by reference in the Preliminary Prospectus, Prospectus and any Supplementary Materials;

"**Financial Statements**" means, collectively, the (i) audited consolidated financial statements of the Company incorporated by reference in the Offering Documents as at and for the financial year ended August 31, 2018 (which financial statements include comparative financial information for the 2017 financial year), together with the report of Smythe LLP on those financial statements, and including the notes with respect to those financial statements; and (ii) the unaudited condensed consolidated interim financial statements of the Company incorporated by reference in the Offering Documents as at and for the three and nine months ended May 31, 2019 (which financial statements include comparative financial information for the comparable period in 2018), and including the notes with respect to those financial statements;

"**Governmental Authority**" means any governmental authority and includes, without limitation, any international, national, federal, state, provincial or municipal government or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions on behalf of a governmental authority or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing;

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board, which were adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles applicable to publicly accountable enterprises;

"**Indemnified Parties**" and "**Indemnified Party**" have the meanings ascribed thereto in Section 13(a) of this Agreement;

"**Intellectual Property**" means all of the following used for the conduct of the business of the Company and the Subsidiaries as presently conducted or as proposed to be conducted (i) patent rights, issued patents, patent applications, patent disclosures, and registrations, inventions, discoveries, developments, concepts, ideas, improvements, processes and methods, whether or not such inventions, discoveries, developments, concepts, ideas, improvements, processes, or methods are patentable or registrable, anywhere in the world, (ii) copyrights (including performance rights) to any original works of art or authorship, including source code and graphics, which are fixed in any medium of expression, including copyright registrations and applications therefor, anywhere in the world, whether or not registered or registrable, (iii) any and all common law or registered trade-mark rights, trade names, business names, trade-marks, proposed trade-marks, certification marks, service marks, distinguishing marks and guises, logos, slogans, goodwill, domain names and any registrations and applications therefor, anywhere in the world, whether or not registered or registrable, (iv) know-how, show-how, confidential information, trade secrets, (v) any and all industrial design rights, industrial designs, design patents, industrial design or design patent registrations and applications therefor, anywhere in the world, whether or not registered or registrable, (vi) any and all integrated circuit topography rights, integrated circuit topographies and integrated circuit topography applications, anywhere in the world, whether or not registered or registrable, (vii) any reissues, re-examinations, divisions, continuations, continuations-in-part, renewals, improvements, translations, derivatives, modifications and extensions of any of the foregoing, (viii) any other industrial, proprietary or intellectual property rights, anywhere in the world, and (ix) proprietary computer software (including but not limited to data, data bases and documentation);

"**Leased Premises**" has the meaning ascribed thereto in Section 8(g) of this Agreement of this Agreement;

"**Letter Agreement**" means the letter agreement and offer letter amendment between the Company and the Agent dated February 12, 2019 and September 10, 2019, respectively;

"**Licensed IP**" means the Intellectual Property that is used for the conduct of the business of the Company and the Subsidiaries as presently conducted or as proposed to be conducted and that is owned by any person other than the Company or any Subsidiary;

"**Losses**" has the meaning ascribed thereto in Section 13(a) of this Agreement;

"**marketing materials**" and "**template version**" shall have their respective meanings ascribed thereto in NI 41-101;

"**Marketing Presentation**" means collectively, the presentation of the Company dated July 2, 2019 and the presentation of the Company dated August 7, 2019, used in connection with the marketing of the Offering;

"**Material Adverse Effect**" means any change (including a decision to implement such a change made by the board of directors or by senior management who believe that confirmation of the decision by the board of directors is probable), fact, event, violation, inaccuracy, circumstance, state of being or effect that (a) is materially adverse (actually or anticipated, whether financial or otherwise) to the business, assets (including intangible assets), affairs, operations, prospects, liabilities (contingent or otherwise), capital, properties, condition (financial or otherwise), results of operations or control of the Company and the Subsidiaries, on a consolidated basis or (b) results or could reasonably be expected to result in the Prospectus containing a material misrepresentation;

"**material change**" has the meaning ascribed thereto in the Applicable Securities Laws of the Qualifying Jurisdictions;

"**material fact**" has the meaning ascribed thereto in the Applicable Securities Laws of the Qualifying Jurisdictions;

"**misrepresentation**" has the meaning ascribed thereto in the Applicable Securities Laws of the Qualifying Jurisdictions;

"**NI 44-101**" means National Instrument 44-101 - *Short Form Prospectus Distributions* of the Canadian Securities Administrators;

"**NI 51-102**" means National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

"**Offering Documents**" means, collectively, the Preliminary Prospectus, the Prospectus and any Supplementary Material, and also includes the Marketing Presentation, the Term Sheets and the U.S. Placement Memorandum;

"**person**" shall be broadly interpreted and shall include an individual, firm, corporation, syndicate, partnership, trust, association, unincorporated organization, joint venture, investment club, government or agency or political subdivision thereof and every other form of legal or business entity of whatsoever nature or kind;

"**Passport Receipt**" means a receipt issued by the BCSC as principal regulator pursuant to the Passport System, and which also evidences (i) that the Ontario Securities Commission has issued a receipt, and (ii) the deemed receipt of the Securities Commissions of the Qualifying Jurisdictions (other than Ontario and British Columbia), in any case for the Preliminary Prospectus or the Prospectus, as the case may be;

"**Passport System**" means the passport system procedures provided for under National Policy 11-202 - *Process for Prospectus Reviews in Multiple Jurisdictions* of the Canadian Securities Administrators;

"**Preliminary Prospectus**" means the preliminary short form prospectus of the Company dated July 2, 2019 relating to the qualification in all of the Qualifying Jurisdictions of the distribution of the Offered Units under the Applicable Securities Laws of the Qualifying Jurisdictions, including all of the Documents Incorporated by Reference;

"**Preliminary Receipt**" means the Passport Receipt for the Preliminary Prospectus;

"**Products**" means the pharmaceutical products under development, manufactured and/or marketed by the Company or which are or will be undergoing testing, pre-clinical trials and/or clinical trials;

"**Prospectus**" means the (final) short form prospectus of the Company to be prepared in connection with the qualification in all of the Qualifying Jurisdictions of the distribution of the Offered Units under the Applicable Securities Laws of the Qualifying Jurisdictions, including all of the Documents Incorporated by Reference;

"**Qualification**" has the meaning given to it in Section 8(cc);

"**Qualifying Jurisdictions**" means Alberta, British Columbia, Ontario and Saskatchewan;

"**Regulation S**" has the meaning given to it in Schedule "A" to this Agreement;

"**Rule 506(b)**" has the meaning given to it in Schedule "A" to this Agreement;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Securities Commission**" means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions and "**Securities Commissions**" means all of them;

"**Selling Firm**" has the meaning ascribed thereto in Section 4(a) of this Agreement;

"**SR&ED**" has the meaning ascribed thereto in Section 8(mmm) of this Agreement;

"**Standard Listing Conditions**" has the meaning ascribed thereto in Section 5(a)(vi) of this Agreement;

"**Subsequent Disclosure Documents**" means any annual and/or interim financial statements, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, business acquisition reports, material change reports or other documents issued by the Company after the date of this Agreement that are required by Applicable Securities Laws of the Qualifying Jurisdictions to be incorporated by reference into the Preliminary Prospectus, the Prospectus and/or any Supplementary Material;

"**Subsidiary**" means those entities that would be a "subsidiary" of the Company pursuant to the Applicable Securities Laws of the Province of Ontario and includes (i) Nash Pharmaceuticals Inc. and (ii) Breathtec Biomedical, Inc.;

"**Supplementary Material**" means, collectively, any amendment to or amendment and restatement of the Preliminary Prospectus and/or the Prospectus, and any further amendment, amendment and restatement or supplemental prospectus thereto or ancillary materials that may be filed by or on behalf of the Company under the Applicable Securities Laws of the Qualifying Jurisdictions relating to the distribution of the Offered Units thereunder;

"**Term Sheets**" means, collectively, the term sheet of the Company for the Offering dated July 2, 2019 and the revised term sheet of the Company for the Offering dated September 6, 2019;

"**United States**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**U.S. Affiliates**" has the meaning given to it in Schedule "A" to this Agreement;

"**U.S. Exchange Act**" has the meaning given to it in Schedule "A" to this Agreement;

"**U.S. Person**" means a U.S. person as that term is defined in Rule 902(k) of Regulation S under the U.S. Securities Act;

"**U.S. Placement Memorandum**" has the meaning given to it in Schedule "A" to this Agreement; and

"**U.S. Securities Act**" has the meaning given to it in Schedule "A" to this Agreement.

Other

(a) Capitalized terms used but not defined herein have the meanings ascribed to them in the Preliminary Prospectus or, upon filing of the Prospectus, the Prospectus.

(b) Any reference in this Agreement to a Section shall refer to a section of this Agreement.

(c) All words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require and the verb shall be construed as agreeing with the required word and/or pronoun.

(d) Any reference in this Agreement to "$" or to "dollars" shall refer to the lawful currency of Canada, unless otherwise specified.

(e) The following are the schedules to this Agreement, which schedules (including the representations, warranties and covenants set out therein) are deemed to be a part hereof and are hereby incorporated by reference herein:

Schedule "A" - Terms and Conditions for Compliance with U.S. Securities Laws

(f) Where any representation or warranty contained in this Agreement or any Ancillary Document is expressly qualified by reference to the "**knowledge**" of the Company or "**the best of the Company's knowledge**", or where any other reference is made herein or in any Ancillary Document to the "**knowledge**" of the Company, it shall be deemed to refer to the actual knowledge of (i) Christopher Moreau, the Chief Executive Officer, (ii) Michael Sadhra, the Chief Financial Officer, and (iii) Mark Williams, the Chief Science Officer, of the facts or circumstances to which such phrase relates, after having made reasonable inquiries and investigations in connection with such facts and circumstances that would ordinarily be made by officers of similar sized companies.

2. Nature of Transaction

Each purchaser who is resident in a Qualifying Jurisdiction shall purchase the Offered Units pursuant to the Prospectus. Each other purchaser not resident in a Qualifying Jurisdiction, or located outside of a Qualifying Jurisdiction, shall purchase Offered Units, which have been qualified by the Prospectus in Canada, only on a private placement basis under the applicable securities laws of the jurisdiction in which the purchaser is resident or located, in accordance with such procedures as the Company and the Agent may mutually agree, acting reasonably, in order to fully comply with Applicable Laws and the terms of this Agreement (including Schedule "A" to this Agreement with respect to offers and sales of Offered Units in the United States). The Company hereby agrees to comply with all Applicable Securities Laws on a timely basis in connection with the distribution of the Offered Units and the Company shall execute and file with the Securities Commissions all forms, notices and certificates relating to the Offering required to be filed pursuant to Applicable Securities Laws in the Qualifying Jurisdictions within the time required, and in the form prescribed, by Applicable Securities Laws in the Qualifying Jurisdictions. The Company also agrees to file within the periods stipulated under Applicable Laws outside of Canada and at the Company's expense all private placement forms required to be filed by the Company in connection with the Offering and pay all filing fees required to be paid in connection therewith so that the distribution of the Offered Units outside of Canada may lawfully occur without the necessity of filing a prospectus or any similar document under the Applicable Laws outside of Canada. The Agent agrees to offer the Offered Units for sale only in the Qualifying Jurisdictions and to offer the Initial Units, Additional Units, Additional Shares and/or Additional Warrants to purchasers in the United States and, subject to the consent of the Company (acting reasonably), in such jurisdictions outside of the Qualifying Jurisdictions and the United States where permitted by and in accordance with Applicable Securities Laws and the applicable securities laws of such other jurisdictions, and provided that in the case of jurisdictions other than the Qualifying Jurisdictions and the United States, the Company shall not be required to become registered or file a prospectus or registration statement or similar document in such jurisdictions and the Company will not be subject to any continuous disclosure requirements in such jurisdiction.

3. Filing of Prospectus

(a) As of the date of this Agreement, (i) the Company has prepared and filed the Preliminary Prospectus and other required documents with the Securities Commissions under the Applicable Securities Laws pursuant to the Passport System and NP 11-202 and designated the BCSC as the principal regulator thereunder and has obtained the Preliminary Receipt evidencing that a receipt has been issued or is deemed to have been issued for the Preliminary Prospectus by each of the Securities Commissions of the other Qualifying Jurisdictions, and (ii) the Company has addressed the comments made by such Securities Commissions in respect of the Preliminary Prospectus and has been cleared by all of the Securities Commissions to file the Prospectus.

(b) The Company shall, not later than 5:00 p.m. (Vancouver time) on October 3, 2019 (or such later date as may be agreed to in writing by the Company and the Agent, each acting reasonably), have prepared and filed the Prospectus and other required documents with the Securities Commissions under the Applicable Securities Laws, elected to use the Passport System and designated the BCSC as the principal regulator thereunder, and shall have obtained a Final Receipt from the BCSC under the Passport System which shall also evidence that a receipt has been issued or is deemed to have been issued for the Prospectus by each of the Securities Commissions of the other Qualifying Jurisdictions and otherwise fulfilled all legal requirements to qualify the Offered Units for distribution to the public in the Qualifying Jurisdictions through the Agent or any other registered dealer in the applicable Qualifying Jurisdictions.

(c) During the period of distribution of the Offered Units, the Company will promptly take, or cause to be taken, any additional steps and proceedings that may from time to time be required under the Applicable Securities Laws, or requested by the Agent, to continue to qualify the distribution of the Offered Units.

(d) Prior to the filing of the Prospectus and thereafter, during the period of distribution of the Offered Units, including prior to the filing of any Supplementary Material, the Company shall allow the Agent to review and comment on such documents and shall allow the Agent to conduct all due diligence investigations (including through the conduct of oral due diligence sessions at which management of the Company, the chair of the Company's audit committee, its current and former auditors, legal counsel and other applicable experts) which they may reasonably require in order to fulfill their obligations as underwriters in order to enable it to execute the certificate required to be executed by them at the end of the Offering Documents. Without limiting the scope of the due diligence inquiry the Agent (or its counsel) may conduct, the Company shall use its best efforts to make available its directors, senior management, auditors (including the auditors named in the Business Acquisition Report) and legal counsel to answer any questions which the Agent may have and to participate in one or more due diligence sessions to be held prior to filing of each of the Prospectus and any Supplementary Material.

4. Distribution and Certain Obligations of the Agent

(a) The Agent shall, and shall use commercially reasonable efforts to require any investment dealer (other than the Agent) with which the Agent has a contractual relationship in respect of the distribution of the Offered Units (each, a "**Selling Firm**") to agree to, comply with the Applicable Securities Laws in connection with the distribution of the Offered Units and shall offer the Offered Units for sale to the public directly and through Selling Firms upon the terms and conditions set out in the Prospectus and this Agreement. The Agent shall, and shall use commercially reasonable efforts to require any Selling Firm to agree to, offer for sale to the public and sell the Offered Units only in those jurisdictions where they may be lawfully offered for sale or sold and shall seek the prior consent of the Company, such consent not to be unreasonably withheld, regarding the jurisdictions other than the Qualifying Jurisdictions and the United States where the Offered Units are to be offered and sold. The Agent shall: (i) use all commercially reasonable efforts to complete and cause each Selling Firm to complete the distribution of the Offered Units as soon as reasonably practicable but in any event no later than 90 days after the date of the Final Receipt; and (ii) as soon as practicable after the completion of the distribution of the Offered Units, and in any event within 30 days after the later of the Closing Date or the last Option Closing Date, notify the Company thereof and provide the Company with a breakdown of the number of Offered Units distributed in the Qualifying Jurisdictions.

(b) The Agent and any Selling Firm shall be entitled to offer and sell the Offered Units to purchasers in the United States or to or for the account or benefit of U.S. Persons solely pursuant to an applicable exemption or exemptions from the registration requirements of the U.S. Securities Act and the registration or qualification requirements of applicable state securities laws, and in other jurisdictions in accordance with any applicable securities and other laws in the jurisdictions in which the Agent and/or Selling Firms offer the Offered Units. Any offer or sale of the Offered Units to purchasers in the United States or to or for the account or benefit of U.S. Persons will be made in accordance with Schedule "A" hereto.

(c) For the purposes of this Section 4, the Agent shall be entitled to assume that the Offered Units are qualified for distribution in any Qualifying Jurisdiction where a Passport Receipt or similar document for the Prospectus shall have been obtained from or deemed issued by the applicable Securities Commission (including a Final Receipt for the Prospectus issued under the Passport System) following the filing of the Prospectus unless otherwise notified in writing by the Company.

(d) During the distribution of the Offered Securities, other than the Offering Documents, the press release announcing the Offering, the Marketing Presentation and the Term Sheets (which Marketing Presentation and Term Sheets the Company and the Agent agree is a "template version" within the meaning of NI 44-101 of such marketing materials), the Company and the Agent shall not provide any potential investor with any materials or written communication in relation to the distribution of the Offered Units. The Company and the Agent, on a several basis, covenant and agree (i) not to provide any potential investor of Offered Units with any marketing materials unless a template version of such marketing materials has been filed by the Company with the Securities Commissions on or before the day such marketing materials are first provided to any potential investor of Offered Units, (ii) not to provide any potential investor in the Qualifying Jurisdictions with any materials or information in relation to the distribution of the Offered Units or the Company other than (a) such marketing materials that have been approved and filed in accordance with NI 44-101, (b) the Preliminary Prospectus, the Prospectus and any Supplementary Material, and (c) any "standard term sheets" (within the meaning of Applicable Securities Laws) approved in writing by the Company and the Agent, and (iii) that any marketing materials approved and filed in accordance with NI 44-101 and any standard term sheets approved in writing by the Company and the Agent, shall only be provided to potential investors in the Qualifying Jurisdictions.

(e) The Agent covenants to hold in trust all funds received from subscriptions under the Prospectus until the Minimum Offering has been raised. If the Minimum Offering is not raised on or before the date that is 90 days after the date of the Final Receipt, the Agent shall promptly return the funds to those who have subscribed for the Offered Units by way of the Prospectus, without any deductions.

(f) The Agent shall be liable to the Company under this Section 4 or Schedule "A" with respect to any breach by it or its U.S. Affiliate of this Section 4 or of the selling restrictions set forth in Schedule "A".

5. Deliveries on Filing and Related Matters

(a) The Company shall deliver to the Agent:

(i) on the date hereof, a copy of the Preliminary Prospectus signed by the Company as required by Applicable Securities Laws;

(ii) concurrently with the filing of the Prospectus, a copy of the Prospectus, signed by the Company as required by Applicable Securities Laws;

(iii) concurrently with the filing thereof, a copy of any Supplementary Material required to be filed by the Company in compliance with Applicable Securities Laws;

(iv) concurrently with the filing of the Prospectus with the Securities Commissions, "long form" comfort letters dated the date of the Prospectus, in form and substance satisfactory to the Agent, acting reasonably, addressed to the Agent and the directors of the Company from (A) the current auditor of the Company with respect to the Financial Statements and other financial and accounting information relating to the Company contained or incorporated by reference in the Prospectus, and (B) the auditors that audited the financial statements contained in the Business Acquisition Report, which letters shall be based on a review by such auditors within a cut-off date and based on a review of not more than two Business Days prior to the date of the letters, which letters shall be in addition to any auditors' comfort and consent letters addressed to the Securities Commissions in the Qualifying Jurisdictions;

(v) as soon as possible after the Prospectus and any Supplementary Material are prepared, copies of the U.S. Placement Memorandum;

(vi) prior to the Closing, copies of correspondence demonstrating that the listing and posting for trading on the CSE of the Shares, the Warrant Shares and the Warrants has been approved subject only to the satisfaction by the Company of such customary and standard conditions imposed by the CSE in similar circumstances and set forth in a letter of the CSE addressed to the Company, if any, and the CSE's policies (the "**Standard Listing Conditions**"); and

(vii) copies of all other documents resulting or related to the Company taking all other steps and proceedings that may be necessary in order to qualify the Offered Units for distribution in each of the Qualifying Jurisdictions by the Agent and other persons who are registered in a category permitting them to distribute the Offered Units under Applicable Securities Laws and who comply with such Applicable Securities Laws.

(b) ***Supplementary Material***

If applicable, the Company shall also prepare and deliver promptly to the Agent signed copies of all Supplementary Material. Concurrently with the delivery of any Supplementary Material or the incorporation by reference in the Prospectus of any Subsequent Disclosure Document, the Company shall delivery to the Agent, with respect to such Supplementary Material or Subsequent Disclosure Documents, comfort leters substantially similar to the letters referred to in Section 5(a)(iv).

(c) ***Representations as to Prospectus and Supplementary Material***

Each delivery to the Agent of any Offering Document by the Company shall constitute the representation and warranty of the Company to the Agent that:

(i) all information and statements (except for the Agent's Information) contained and incorporated by reference in such Offering Documents, are, at their respective dates, and, if applicable, the respective dates of filing, of such Offering Documents, true and correct in all material respects and contain no misrepresentation and, on the respective dates of such Offering Documents, constitute full, true and plain disclosure of all material facts relating to the Company and the Subsidiaries (on a consolidated basis) and the Offered Units, Shares, Warrants and Warrant Shares as required by Applicable Securities Laws of the Qualifying Jurisdictions;

(ii) no material fact or information (except for the Agent's Information) has been omitted from any Offering Document which is required to be stated therein or is necessary to make the statements therein not misleading in the light of the circumstances in which they were made; and

(iii) each of such Offering Documents complies with the requirements of the Applicable Securities Laws of the Qualifying Jurisdictions.

Such deliveries shall also constitute the Company's consent to the Agent and any Selling Firm's use of the Offering Document in connection with the distribution of the Offered Units in compliance with this Agreement.

(d) ***Delivery of Prospectus and Related Matters***

The Company will cause to be delivered to the Agent, at those delivery points as the Agent reasonably requests, as soon as possible and in any event no later than 12:00 noon (Toronto time) on the next Business Day (or by 12:00 noon (Toronto time) on the second Business Day for deliveries outside of Toronto), in each case following the day on which the Company has obtained the Final Receipt for the Prospectus, and thereafter from time to time during the distribution of the Offered Units, as many commercial copies of the Preliminary Prospectus, the Prospectus and/or the U.S. Placement Memorandum, as applicable, as the Agent may reasonably request. Each delivery of any of the Offering Documents will have constituted or will constitute, as the case may be, consent of the Company to the use by the Agent and any Selling Firms of those documents in connection with the distribution and sale of the Offered Units in all of the Qualifying Jurisdictions and of the U.S. Placement Memorandum for the distribution of the Initial Units and Additional Units to purchasers in the United States in compliance with the provisions of Schedule "A".

(e) ***Press Releases***

Neither the Company, nor the Agent, shall make any public announcement in connection with the Offering, except if the other party has consented to such announcement or the announcement is required by applicable laws or stock exchange rules. For greater certainty, during the period commencing on the date hereof and until completion of the distribution of the Offered Units, the Company will promptly provide to the Agent drafts of any press releases of the Company for review and comment by the Agent and the Agent's counsel prior to issuance, provided that any such review will be completed in a timely manner, and the Company will incorporate in such press releases all reasonable comments of the Agent. To deal with the possibility that the Initial Units and Additional Units may be offered and sold to persons that are, or are acting for the account or benefit of, purchasers in the United States or U.S. Persons, any such press release shall contain a legend in substantially the following form at the top of the first page: "NOT INTENDED FOR DISTRIBUTION TO UNITED STATES NEWS WIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES."; and any such press release shall also contain disclosure substantially in the following form in accordance with Rule 135e under the U.S. Securities Act:

"The securities offered have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any U.S. state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined under the U.S. Securities Act) absent registration or any applicable exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful."

6. Material Change

(a) The Company shall promptly inform the Agent (and promptly confirm such notification in writing) during the period prior to the Agent notifying the Company of the completion of the distribution of the Offered Units in accordance with Section 4(a) hereof of the full particulars of:

(i) any material change whether actual, anticipated, contemplated, or to the knowledge of the Company, threatened or proposed in the Company or any Subsidiary or in any of their respective businesses, assets (including intangible assets), affairs, operations, prospects, liabilities (contingent or otherwise), capital, properties, condition (financial or otherwise) or results of operations or in the Offering;

(ii) any material fact which has arisen or has been discovered or any new material fact that would have been required to have been stated in the Offering Documents had that fact arisen or been discovered on or prior to the date of any of the Offering Documents;

(iii) any change in any material fact (which for the purposes of this Agreement shall be deemed to include the disclosure of any previously undisclosed material fact) contained or incorporated by reference in the Offering Documents or whether any event or state of facts has occurred after the date hereof, which, in any case, is, or may be, of such a nature as to render any of the Offering Documents untrue or misleading in any material respect or to result in any misrepresentation in any of the Offering Documents, including as a result of any of the Offering Documents containing or incorporating by reference therein an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statement therein not false or not misleading in the light of the circumstances in which it was made, or which could result in any of the Offering Documents not complying with the Applicable Securities Laws of any Qualifying Jurisdiction;

(iv) any notice by any governmental, judicial or regulatory authority requesting any information, meeting or hearing relating to the Company, any Subsidiary or the Offering; or

(v) any other event or state of affairs that would reasonably be expected to be relevant to the Agent's due diligence investigations in respect of the Offering.

(b) Subject to Section 6(d), the Company will prepare and file promptly (and, in any event, within the time prescribed by Applicable Securities Laws) any Supplementary Material which may be necessary under the Applicable Securities Laws, and the Company will prepare and file promptly at the request of the Agent any Supplementary Material which, in the opinion of the Agent, acting reasonably, may be necessary or advisable, and will otherwise comply with all legal requirements necessary, to continue to qualify the Offered Units for distribution in each of the Qualifying Jurisdictions.

(c) During the period commencing on the date hereof until the Agent notifies the Company of the completion of the distribution of the Offered Units, the Company will promptly inform the Agent in writing of the full particulars of:

(i) any request of any Securities Commission for any amendment to any Offering Document or for any additional information in respect of the Offering or the Company;

(ii) the receipt by the Company of any material communication, whether written or oral, from any Securities Commission, the CSE or any other competent authority, relating to the Preliminary Prospectus, the Prospectus, any Supplementary Material, the distribution of the Offered Units, Compensation Options, Shares, Warrants, Warrant Shares, or the Company or any Subsidiary;

(iii) any notice or other correspondence received by the Company from any Governmental Authority and any requests from such bodies for information, a meeting or a hearing relating to the Company, any Subsidiary, the Offering, the issue and sale of the Offered Units, Compensation Options, Shares, Warrants, Warrant Shares, or any other event or state of affairs that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; or

(iv) the issuance by any Securities Commission, the CSE or any other competent authority, including any other Governmental Authority, of any order to cease or suspend trading or distribution of any securities of the Company (including Offered Units, Shares, Warrants, Warrant Shares or Compensation Options) or of the institution, threat of institution of any proceedings for that purpose or any notice of investigation that could potentially result in an order to cease or suspend trading or distribution of any securities of the Company (including Offered Units, Shares, Warrants, Warrant Shares or Compensation Options).

(d) In addition to the provisions of Sections 6(a), 6(b) and 6(c) hereof, the Company shall in good faith discuss with the Agent any circumstance, change, event or fact contemplated in Sections 6(a), 6(b) or 6(c) which is of such a nature that there is or could be reasonable doubt as to whether notice should be given to the Agent under Sections 6(a), 6(b) or 6(c) hereof and shall consult with the Agent with respect to the form and content of any Supplementary Material proposed to be filed by the Company, it being understood and agreed that any such Supplementary Material shall not be filed with any Securities Commission prior to the review and approval thereof by the Agent and their counsel, acting reasonably.

7. Regulatory Approvals

(a) In connection with the filing of the Prospectus with the Securities Commissions, the Company shall file or cause to be filed with the CSE all necessary documents and shall take or cause to be taken all necessary steps to ensure that the Company has obtained all necessary approvals for the Shares, the Warrant Shares and the Warrants to be conditionally listed on the CSE subject only to the Standard Listing Conditions.

(b) The Company will make all necessary filings and obtain all necessary regulatory consents and approvals (if any), and the Company will pay all filing, exemption and other fees required to be paid in connection with the transactions contemplated in this Agreement.

8. Representations and Warranties of the Company

The Company represents and warrants to the Agent and the U.S. Affiliates, and acknowledges that the Agent are relying on such representations and warranties in purchasing the Offered Units, that:

(a) the Company: (i) has been duly incorporated, amalgamated, continued or organized and is validly existing as a company in good standing under the laws of its jurisdiction of incorporation, amalgamation, continuation or organization, and has the corporate power, capacity and authority to own, lease and operate its property and assets, to conduct its business as now conducted and as currently proposed to be conducted and to carry out the provisions hereof; and (ii) where required, has been duly qualified as an extra-provincial or foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases property, or conducts any business;

(b) other than the Subsidiaries, the Company has no subsidiaries and no investment in any person which is or would be material to the business and affairs of the Company. The Subsidiaries are the only subsidiaries of the Company.

(c) each Subsidiary: (i) has been duly incorporated, amalgamated, continued or organized and is validly existing as a company in good standing under the laws of its jurisdiction of incorporation, amalgamation, continuation or organization and has the corporate power, capacity and authority to own, lease and operate its property and assets, to conduct its business as now conducted and as currently proposed to be conducted and to carry out the provisions hereof; and (ii) where required, has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases property, or conducts any business and is not precluded from carrying on business or owning property in such jurisdictions by any other commitment, agreement or document;

(d) the Company and each Subsidiary (i) has conducted and has been conducting its business in compliance in all material respects with all Applicable Laws of each jurisdiction in which its business is carried on or in which its services are provided and has not received a notice of non-compliance, nor knows of, nor has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such Applicable Laws, (ii) is not in breach or violation of any judgment, order or decree of any Governmental Authority or court having jurisdiction over the Company or any Subsidiary, as applicable, (iii) holds all, and are not in breach of any, material Governmental Licences (as defined in Section 8(yy)) that enable its business to be carried on as now conducted in each of the jurisdictions it carries on business and enable it to own, lease or operate its Assets and Properties, and none of the Subsidiaries nor, to the knowledge of the Company, any other person, has taken any steps or proceedings, voluntary or otherwise, requiring or authorizing such Subsidiaries' dissolution or winding up;

(e) the Company is the direct or indirect registered and beneficial owner of all of the issued and outstanding shares and other voting securities of each Subsidiary, in each case free and clear of all Encumbrances, and no person, firm, corporation or entity has any agreement, option, right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option, for the purchase from the Company or any Subsidiary of any of the shares or other securities of any Subsidiary;

(f) none of the Company or any Subsidiary has been served with or otherwise received notice of any legal or governmental proceedings and there are no legal or governmental proceedings (whether or not purportedly on behalf of the Company) pending to which the Company or any Subsidiary is a party or of which any property or assets of the Company or any Subsidiary is the subject which is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the consummation by the Company of the transactions contemplated by this Agreement and, to the best of the Company's knowledge, no such proceedings have been threatened or contemplated by any Governmental Authority or any other parties;

(g) neither the Company nor the Subsidiaries own real property; with respect to each premises which is material to the Company or any Subsidiary and which the Company or any Subsidiary occupies as tenant (the "**Leased Premises**"), the Company or the Subsidiary (as applicable) occupies the Leased Premises and has the exclusive right to occupy and use the Leased Premises and neither the Company nor any Subsidiary is in breach or violation of or in default under any of the leases pursuant to which the Company or the Subsidiary (as applicable) occupies the Leased Premises and to the best of the Company's knowledge, such leases are valid, in good standing and in full force and effect and are enforceable against the respective lessors thereof;

(h) the Company and each Subsidiary is the absolute legal and beneficial owner, and has good and valid title to, all of the material property or assets thereof as described in the Offering Documents free and clear of all Encumbrances and defects of title except such as are disclosed in the Offering Documents or such as are not material, individually or in the aggregate, to the Company or any Subsidiary, and (A) no other material property or assets are necessary for the conduct of the business of the Company or any Subsidiary as currently conducted, (B) the Company has no knowledge of any claim or the basis for any claim that might or could materially and adversely affect the right of the Company or any Subsidiary to use, transfer or otherwise exploit such property or assets, and (C) neither the Company nor the Subsidiary has any responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any person with respect to the property and assets thereof;

(i) the Financial Statements:

(i) have been prepared in accordance with Applicable Securities Laws and IFRS, applied on a consistent basis throughout the periods referred to therein, except as otherwise disclosed therein;

(ii) present fairly, in all material respects, the financial position and condition of the Company and the Subsidiaries on a consolidated basis as at the dates thereof and the results of its operations and the changes in its shareholder's equity and cash flows for the periods then ended, and contain and reflect adequate provisions or allowance for all reasonably anticipated liabilities, expenses and losses of the Company and the Subsidiaries on a consolidated basis in accordance with IFRS, and do not contain a misrepresentation; and

(iii) have been audited (in the case of the annual financial statements comprising the Financial Statements) or reviewed (in the case of the interim financial statements comprising the Financial Statements) by independent public accountants within the meaning of Applicable Securities Laws and the rules of the Chartered Professional Accountants of Canada;

(j) the accountants who audited or reviewed (as the case may be) the Financial Statements are independent with respect to the Company within the meaning of Applicable Securities Laws and there has not been any "reportable event" (within the meaning of NI 51-102) with the current auditors or any former auditors of the Company during the past five financial years;

(k) the financial statements contained in the Business Acquisition Report have been audited by independent auditors and have been prepared in accordance with International Financial Reporting Standards and present fairly in all material respects the consolidated financial position and results of operations of the business acquired, all as disclosed in the Business Acquisition Report;

(l) there are no material liabilities of the Company whether direct, indirect, absolute, contingent or otherwise which are not disclosed or reflected in the Financial Statements, except for liabilities incurred in the ordinary course of business since May 31, 2019, and which liabilities would not, individually or in the aggregate, have a Material Adverse Effect;

(m) the audit committee's responsibilities and composition comply with National Instrument 52-110 -*Audit Committees*;

(n) except as disclosed in the Offering Documents, none of the directors, executive officers or shareholders who beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the outstanding Shares or any known associate or affiliate of any such person, had or has any material interest, direct or indirect, in any transaction or any proposed transaction (including, without limitation, any loan made to or by any such person) with the Company which, as the case may be, materially affects, is material to or will materially affect the Company and its Subsidiaries on a consolidated basis;

(o) the Company and each Subsidiary has duly and on a timely basis filed all foreign, federal, state, provincial and municipal tax returns required to be filed by it, has paid, collected, withheld and remitted all taxes due and payable or required to be collected, withheld and remitted by the Company and the Subsidiaries, respectively, and has paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which are claimed by any Governmental Authority to be due and owing, except where the failure to pay would not, individually or in the aggregate, have a Material Adverse Effect, and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required to be filed; there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Company or by any Subsidiary; there are no actions, suits, proceedings, investigations or claims pending or, to the best of the Company's knowledge, threatened against the Company or any Subsidiary in respect of taxes, governmental charges or assessments; and there are no matters under discussion with any Governmental Authority relating to taxes, governmental charges or assessments asserted by any such authority;

(p) the Company and each of the Subsidiaries have established on their books and records reserves that are adequate for the payment of all taxes not yet due and payable and there are no liens for taxes on the assets of the Company or any of the Subsidiaries, and, to the best of the Company's knowledge, there are no audits pending of the tax returns of the Company or any of the Subsidiaries (whether federal, state, provincial, local or foreign) and there are no claims which have been or may be asserted relating to any such tax returns, which audits and claims, if determined adversely, would result in the assertion by any Governmental Authority of any deficiency that could, individually or in the aggregate, have a Material Adverse Effect;

(q) the Company and/or the Subsidiaries own, or have obtained valid and enforceable licenses for, or other rights to use, the Intellectual Property including, for greater certainty, the Intellectual Property described in the Disclosure Record; the Company has no knowledge that the Company or any Subsidiary lacks or will be unable to obtain any rights or licenses to use all Intellectual Property used for the conduct of the business of the Company and/or the Subsidiaries (including the commercialization of the Company's products and services candidates) as described in the Offering Documents; no third parties have rights to any Intellectual Property of the Company or any Subsidiary, except for the ownership rights of the owners of the Licensed IP or except for any licenses of use granted by the Company and/or any Subsidiary therein; there is no pending or, to the best of the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity or enforceability of any Intellectual Property or the Company's or any Subsidiary's rights in or to any Intellectual Property or suggesting that any other person has any claim of legal or beneficial ownership or other claim or interest with respect thereto, the Company has no knowledge of any facts which form a reasonable basis for any such claim, and to the best of the Company's knowledge, there has been no finding of unenforceability or invalidity of the Intellectual Property; to the best of the Company's knowledge, there is no patent or published patent application that contains claims that interfere with the issued or pending claims of any of the Intellectual Property of the Company or any Subsidiary; and to the best of the Company's knowledge, there is no prior art that necessarily renders any patent application owned by the Company or any Subsidiary unpatentable that has not been disclosed to the US Patent and Trademark Office or any similar office in Canada or any other jurisdiction;

(r) other than Licensed IP, the Company and/or the Subsidiaries are the legal and beneficial owners of, have good and marketable title to, and own all right, title and interest in and to all Intellectual Property free and clear of all Encumbrances or adverse interests whatsoever, covenants, conditions, options to purchase and restrictions or other adverse claims of any kind or nature; no consent of any person is necessary to make, use, reproduce, license, sell, modify, update, enhance or otherwise exploit any Intellectual Property and none of the Intellectual Property of the Company or any Subsidiary comprises an improvement to Licensed IP that would give any person any rights to any such Intellectual Property, including, without limitation, rights to license any such Intellectual Property;

(s) the Company and its Subsidiaries have used commercially reasonable efforts to maintain and protect the Intellectual Property owned by the Company and/or any Subsidiary (including, unless otherwise specified, making filings and payments of registration, maintenance, renewal or similar fees and to obtain ownership of such Intellectual Property developed for the Company and/or any Subsidiary by its employees, consultants and contractors (including securing assignment agreements from all former and current employees, consultants and contractors that assign to the Company and/or a Subsidiary all rights, title and interest in and to any such Intellectual Property rights, and including with respect to all copyrightable Intellectual Property, securing from such employees, consultants and/or contractors waivers of moral rights in writing in favour of the Company, the Subsidiaries and their successors, assignees or licensees)); there are no oppositions, cancellations, invalidity proceedings, interferences or re-examination proceedings pending with respect to any Intellectual Property owned by the Company and/or any Subsidiary or, to the best of the Company's knowledge, threatened; all applications for registration of any Intellectual Property owned by the Company and/or any Subsidiary have been properly filed and have been pursued by the Company and the Subsidiaries in the ordinary course of business, and neither the Company nor any of the Subsidiaries has received any notice (whether written, oral or otherwise) indicating that any application for registration of the Intellectual Property owned by the Company and/or any Subsidiary has been finally rejected or denied by the applicable reviewing authority, except for any rejection or denial that would not, individually or in the aggregate, have a Material Adverse Effect;

(t) to the best of the Company's knowledge, the conduct of the business of the Company and the Subsidiaries (including, without limitation, the sale of their respective products and services, or the use or other exploitation of the Intellectual Property by the Company, the Subsidiaries or any customers, distributors or other licensees thereof) has not infringed, violated, misappropriated or otherwise conflicted with (and does not infringe, violate, misappropriate or otherwise conflict with) any Intellectual Property right of any person; there is no pending or threatened action, suit, proceeding or claim by others alleging that any current or proposed conduct of their respective businesses (including, without limitation, the sale of their respective products and services, or use or other exploitation of any Intellectual Property by the Company, the Subsidiaries or any customers, distributors or other licensees) infringes, violates, misappropriates or otherwise conflicts with (or would infringe, violate, misappropriate or otherwise conflict with) any Intellectual Property of others, and the Company has no knowledge of any facts which form a reasonable basis for any such claim;

(u) to the best of the Company's knowledge, no person has infringed or misappropriated, or is infringing or misappropriating, any rights of the Company and/or any Subsidiary in or to the Intellectual Property;

(v) the Company has entered into valid and enforceable written agreements pursuant to which the Company has been granted all licenses and permissions to use, reproduce, sub- license, sell, modify, update, enhance or otherwise exploit the Licensed IP to the extent required for the conduct of the business of the Company and the Subsidiaries as currently conducted or as proposed to be conducted (including, if required, the right to incorporate such Licensed IP into the Intellectual Property). All license agreements in respect of Licensed IP are in full force and effect and none of the Company, any of the Subsidiaries or to the best of the Company's knowledge, any other person, is in default of its obligations thereunder;

(w) to the extent that any of the Intellectual Property is licensed or disclosed to any person or any person has access to such Intellectual Property (including but not limited to any employee, officer, shareholder, consultant, systems-integrator, distributor, Contract counterparty, or other customer of the Company or any of the Subsidiaries), the Company has entered into a valid and enforceable written agreement which contains terms and conditions prohibiting the unauthorized use, reproduction, disclosure or transfer of such Intellectual Property by such person. Other than such agreements that have expired in accordance with their respective terms, all such agreements are in full force and effect and none of the Company, any of the Subsidiaries or, to the best of the Company's knowledge, any other person, is in default of its obligations thereunder except for any default which is immaterial;

(x) the Company is a reporting issuer in each of the Qualifying Jurisdictions, is not in default under the Applicable Securities Laws of the Qualifying Jurisdictions and is not on the list of defaulting issuers maintained by the applicable Securities Commissions in the Qualifying Jurisdictions;

(y) the Company is in compliance with its timely and continuous disclosure obligations under the Applicable Securities Laws of each of the Qualifying Jurisdictions and the policies, rules and regulations of the CSE and, without limiting the generality of the foregoing, there has not occurred any material change (actual, anticipated, contemplated or threatened) in the business, assets (including intangible assets), affairs, operations, prospects, liabilities (contingent or otherwise), capital, assets, properties, condition (financial or otherwise), results of operations or control of the Company and the Subsidiaries taken as a whole since September 23, 2015 which has not been set forth in the Disclosure Record or otherwise publicly disclosed on a non-confidential basis, and the Company has not filed any confidential material change reports since September 23, 2015 which remains confidential as at the date hereof;

(z) to the best of the Company's knowledge, no agreement is in force or effect which in any manner affects the voting or control of any of the securities of the Company or any Subsidiary;

(aa) the Company is authorized to issue an unlimited number of Shares, of which 47,344,512 Common Shares are issued and outstanding as of the date hereof, and all such issued Common Shares are validly issued and outstanding, and no person, firm or corporation has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming such a right, agreement or option or privilege (whether pre-emptive or contractual), for the issue or allotment of any unissued shares in the capital of the Company or any Subsidiary or any other security convertible into or exchangeable for any such shares, or to require the Company or any Subsidiary to purchase, redeem or otherwise acquire any of the outstanding securities in the capital of the Company or any Subsidiary, except as disclosed in the Offering Documents;

(bb) each of the execution and delivery of this Agreement, the Warrant Indenture and any certificate representing the Compensation Options, the performance by the Company of its obligations hereunder and thereunder, including the offer, issue and sale of the Offered Units (including the Shares and Warrants comprising the Offered Units), the issue and sale of the Warrant Shares underlying the Warrants, the grant and issue of the Compensation Option, and the consummation of the transactions contemplated in this Agreement and the Warrant Indenture, do not and will not:

(i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, and do not and will not create a state of facts which will result in a breach or violation of or constitute a default under, whether after notice or lapse of time or both, (i) any statute, rule or regulation applicable to the Company or any Subsidiary, including Applicable Securities Laws; (ii) the articles, notice of articles or resolutions of the shareholders, directors or any committee of directors of the Company or any Subsidiary; (iii) any material mortgage, note, indenture, Contract, agreement, joint venture, partnership, instrument, lease or other document to which the Company or any Subsidiary is a party or by which it is bound; (iv) any judgment, decree or order binding the Company or its Assets and Properties or any Subsidiary or its Assets and Properties; or (v) any statute, rule, regulation or law applicable to the Company or any Subsidiary, including, without limitation, the Applicable Securities Laws, or any judgment, order or decree of any Governmental Authority or court having jurisdiction over the Company;

(ii) affect the rights, duties and obligations of any parties to any material indenture, agreement or instrument to which the Company or any Subsidiary is a party, nor give a party the right to terminate any such indenture, agreement or instrument by virtue of the application of terms, provisions or conditions in such indenture, agreement or instrument;

(iii) require the consent, approval, authorization, registration or qualification of or with any Governmental Authority, stock exchange, Securities Commission or other third party, except such as have been obtained or such as may be required (and shall be obtained by the Company prior to the Closing Time) under Applicable Securities Laws or stock exchange regulations except (i) those which have been obtained or those which may be required and shall be obtained prior to the Closing Time under Applicable Securities Laws or the rules of the CSE, and
(ii) such post-Closing notice filings with Securities Commissions and the CSE as may be required in connection with the Offering, including under Applicable Securities Laws in the United States and related post-Closing notice filings as may be required in connection with the issue and sale of Offered Units in the United States or to or for the account or benefit of U.S. Persons; and

(iv) do not affect the rights, duties and obligations of any parties to any material indenture, agreement or instrument to which the Company or any Subsidiary is a party, nor give a party the right to terminate any such indenture, agreement or instrument by virtue of the application of terms, provisions or conditions in such indenture, agreement or instrument;

(cc) the execution and delivery of this Agreement, the Warrant Indenture and any certificate representing the Warrants or the Compensation Options, and the performance of the transactions contemplated hereby and thereby (including the issuance, sale and delivery of the Offered Units, the grant of the Over-Allotment Option, the grant and issue of the Compensation Options, the issuance, sale and delivery of the Shares and Warrants, and the allotment and reservation for the issue and delivery of the Warrant Shares) have been duly authorized by all necessary corporate action of the Company and this Agreement has been, and the Warrant Indenture and any certificate representing the Warrants and the Compensation Options, will at the Closing Time be, duly executed and delivered by the Company and constitutes and will at the Closing Time constitute a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, provided that enforcement hereof or thereof may be limited by laws affecting creditors' rights generally, that specific performance and other equitable remedies may only be granted in the discretion of a court of competent jurisdiction and that the provisions relating to indemnity, contribution, severability and waiver of contribution may be limited under Applicable Law (the "**Qualification**");

(dd) the Company has the power, capacity and authority to offer, issue and sell the Offered Units including the Shares and Warrants comprising the Offered Units, and to issue and sell the Warrant Shares underlying the Warrants;

(ee) the Shares and the Warrants have been duly created, authorized, allotted and reserved for issuance and, at the applicable Closing Time:

(i) the Initial Shares and, if applicable, the Additional Shares will be duly and validly issued and outstanding as fully paid and non-assessable shares in the capital of the Company;

(ii) the Initial Warrants and, if applicable, the Additional Warrants will be duly created and validly issued and outstanding as fully paid securities of the Company; and

(iii) the Initial Shares and the Initial Warrants, and, if applicable, the Additional Shares and the Additional Warrants, will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(ff) the Warrant Shares have been duly authorized, allotted and reserved for issuance, and, upon the exercise of the Warrants and payment of the exercise price therefor, will be validly issued and outstanding as fully paid and non-assessable Shares. The Warrant Shares will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(gg) the Company has the corporate power, capacity and authority to issue the Compensation Options and to issue and sell the Compensation Units; the Compensation Shares and the Compensation Warrants issuable upon exercise of the Compensation Options have been duly authorized, allotted and reserved for issuance and the Compensation Options have been duly authorized and created and, at the applicable Closing Time:

(i) the Compensation Options will be duly and validly created and issued and will be fully paid securities of the Company; and

(ii) the Compensation Options, and, if applicable, the Compensation Units, will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(hh) the Common Shares and the Warrants have the attributes and characteristics and conform in all material respects with the descriptions thereof contained in the Offering Documents;

(ii) the Common Shares are listed and posted for trading on the CSE and, prior to the Closing Time, all necessary notices and filings will have been made with and all necessary consents, approvals, authorizations will have been obtained by the Company from the CSE to ensure that, subject to fulfilling the Standard Listing Conditions, the Shares, the Warrant Shares and the Warrants will be listed and posted for trading on the CSE upon their issuance;

(jj) no default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, constitutes a default under or breach, by the Company, any Subsidiary, or any other person, of any material obligation, agreement, covenant or condition contained in any material Contract to which the Company or any Subsidiary is a party or by which it or any of its properties may be bound; and no order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Offered Units, the Shares, the Warrants, the Warrant Shares, the Shares, the Compensation Options, the Compensation Units, the Common Shares or any other security of the Company has been issued or made by any Securities Commission or stock exchange or any other regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated or threatened by any such authority or under any Applicable Securities Laws;

(kk) except for the approval of the CSE to list the Common Shares, Warrants and Warrant Shares, and receipt by the Company of the Final Receipt, there are no third party consents required to be obtained in order for the Company to complete the Offering;

(ll) to the best of the Company's knowledge, there is no legislation or governmental regulation which materially and adversely affects the business, assets (including intangible assets), affairs, operations, prospects, liabilities (contingent or otherwise), capital, assets, properties, condition (financial or otherwise) or results of operations of the Company or any Subsidiary;

(mm) except for the Agent as provided herein, there is no person, firm or corporation acting for the Company entitled to any brokerage or finder's fee in connection with this Agreement or any of the transactions contemplated hereunder;

(nn) each of the documents forming the Disclosure Record filed by or on behalf of the Company with any Securities Commission or the CSE, did not contain a misrepresentation, determined as at the date of filing, which has not been corrected by the filing of a subsequent document which forms part of the Disclosure Record;

(oo) the minute books and records of each of the Company and the Subsidiaries made available to counsel for the Agent in connection with their due diligence investigation of the Company and the Subsidiaries for the periods from its date of incorporation to the date of examination thereof are all of the minute books and records of the Company and the Subsidiaries and contain copies of all proceedings (or certified copies thereof) of the shareholders, the boards of directors and all committees of the boards of directors of the Company and the Subsidiaries to the date of review of such corporate records and minute books and other than with respect to the Offering there have been no other meetings, resolutions or proceedings of the shareholders, board of directors or any committees of the board of directors of the Company and the Subsidiaries to the date of review of such corporate records and minute books not reflected in such minute books and other records;

(pp) no material labour dispute with current and former employees of the Company or any of the Subsidiaries exists or is imminent and the Company has no knowledge of any existing, threatened or imminent labour disturbance or disruption by the employees of any of the principal suppliers, manufacturers or contractors of the Company;

(qq) there has not been and there is not currently any labour disruption or conflict which is adversely affecting or could reasonably be expected to adversely affect, in a material manner, the carrying on of the business of the Company or the Subsidiaries;

(rr) the Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged, and the Company has no reason to believe that it will not be able to renew the existing insurance coverage of the Company and the Subsidiaries as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, individually or in the aggregate, have a Material Adverse Effect;

(ss) except in compliance with Applicable Laws, neither the Company nor any Subsidiary has used any of its property or facilities to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any pollutants, contaminants, chemicals or industrial toxic or hazardous waste or substances ("**Hazardous Substances**"); except in compliance with Applicable Laws, neither the Company nor any Subsidiary has caused or permitted the release, in any manner whatsoever, of any Hazardous Substances on or from any of its properties or assets or any such release on or from a facility owned or operated by third parties but with respect to which the Company or a Subsidiary is or may reasonably be alleged to have material liability or has received any notice that it is potentially responsible for a federal, provincial, municipal or local clean-up site or corrective action under any Applicable Laws, statutes, ordinances, by-laws, regulations or any orders, directions or decisions rendered by any ministry, department or administrative regulatory agency relating to the protection of the environment, occupational health and safety or otherwise relating to or dealing with Hazardous Substances in a manner that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect;

(tt) each employee benefit plan that is maintained, administered or contributed to by the Company or any of the Subsidiaries for employees or former employees of the Company or the Subsidiaries has been maintained in compliance with its terms and the requirements of any Applicable Laws and the fair market value of the assets of each such plan (excluding for these purposes accrued but unpaid contributions) exceeds the present value of all benefits accrued under such plan determined using reasonable actuarial assumptions;

(uu) the forms and terms of the certificates representing the Shares have been approved and adopted by the board of directors of the Company and the form and terms of the certificate representing the Common Shares do not and will not conflict with any Applicable Laws or the rules of the CSE;

(vv) AST Trust Company (Canada), at its principal offices in Vancouver, British Columbia has been duly appointed as the registrar and transfer agent for the Common Shares;

(ww) the business and material property and assets of the Company and the Subsidiaries conform in all material respects to the descriptions thereof contained in the Offering Documents;

(xx) all Products and services provided to customers, in whole or in part, by the Company or any Subsidiary and all component parts which are supplied to the Company or any Subsidiary are, to the best of the Company's knowledge, manufactured or provided in full compliance with Applicable Laws and meet industry specific standards set by all organizations which pertain to the business of the Company and each Subsidiary and the Company's and each Subsidiary's Products and services have met and satisfied all product safety standards necessary to permit the sale of the Company's and each Subsidiary's Products and services in the jurisdictions in which they are sold;

(yy) the Company and each of the Subsidiaries possesses such permits, certificates, licences, approvals, registrations, qualifications, consents and other authorizations issued by Governmental Authorities (collectively, "**Governmental Licences**"), as are necessary to conduct the business now operated by it in all jurisdictions in which it carries on business (as such business is currently conducted); (B) the Company and each Subsidiary is in material compliance with the terms and conditions of all such Governmental Licences; (C) all of such Governmental Licences are in good standing, valid and in full force and effect; (D) neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation, suspension, termination or modification of any such Governmental Licences, and there are no facts or circumstances, including without limitation facts or circumstances relating to the revocation, suspension, modification or termination of any Governmental Licenses held by others, known to the Company, that could lead to the revocation, suspension, modification or termination of any such Governmental Licenses if the subject of an unfavourable decision, ruling or finding, except where such revocation, suspension, modification or termination is not in respect of a material Governmental Licence or where such revocation, suspension, modification or termination would not, individually or in the aggregate, have a Material Adverse Effect; (E) neither the Company nor any Subsidiary is in material default with respect to filings to be effected or conditions to be fulfilled in order to maintain such Governmental Licenses in good standing; (F) none of such Governmental Licenses contains any term, provision, condition or limitation which has or would reasonably be expected to affect or restrict in any material respect the operations or the business of the Company or any Subsidiary as now carried on or proposed to be carried on; (G) neither the Company nor any Subsidiary has reason to believe that any party granting any such Governmental Licenses is considering limiting, suspending, modifying, withdrawing or revoking the same in any material respect;

(zz) None of the Company or any of its Subsidiaries has voluntarily or involuntarily initiated, conducted or issued, or caused to be initiated, conducted or issued, any recalls, market withdraws, safety alerts or other notice of material action relating to an actual or potential lack of safety, efficacy or the non-compliance with Applicable Healthcare Laws of any Product;

(aaa) all clinical and pre-clinical studies related to the development of the Products have been conducted, and to the extent they are still pending are currently being conducted, in accordance with accepted medical, scientific and ethical research procedures and all Applicable Laws;

(bbb) none of the Company or any of its Subsidiaries is subject to any obligation arising under an administrative or regulatory action, inspection, warning letter, notice of violation letter, or other written notice, response or commitment made to or with the United States Food and Drug Administration, Health Canada or any other Governmental Authority, and to Company's knowledge, no such proceedings have been threatened;

(ccc) none of the Company or any of its Subsidiaries, and to the Company's knowledge none of its or its Subsidiaries' officers, directors, and employees (i) are or have been a party to, or bound by, any order, individual integrity agreement, corporate integrity agreement, compliance undertaking or other formal agreement or settlement with any Governmental Authority concerning compliance with Applicable Laws; (ii) have made any filings in the United States pursuant to the OIG or CMS self-disclosure protocol; (iii) have been a defendant in any action, or received a threat of any action, brought under a United States federal or state whistleblower statute, including without limitation the False Claims Act (31 U.S.C. § 3729 et seq.); and (iv) have been served with or received any written search warrant, subpoena (other than those related to actions against third parties), civil investigative demand or contact letter from a Governmental Authority;

(ddd) all forward-looking information and statements of the Company contained in the Offering Documents, including any forecasts and estimates, expressions of opinion, intention and expectation have been based on assumptions that are reasonable in the circumstances, and the Company has updated such forward-looking information and statements as required by and in compliance with Applicable Securities Laws;

(eee) the statistical, industry and market related data included in the Offering Documents are derived from sources which the Company reasonably believes to be accurate, reasonable and reliable, and such data is consistent with the sources from which it was derived;

(fff) all information which has been prepared by the Company relating to the Company or any of the Subsidiaries and the business, property and liabilities thereof and provided or made available to the Agent, and all financial, marketing, sales and operational information provided to the Agent is, as of the date of such information, true and correct in all material respects, taken as whole, and no fact or facts have been omitted therefrom which would make such information materially misleading;

(ggg) (i) the responses given by the Company and its officers at all oral due diligence sessions conducted by the Agent in connection with the Offering, as they relate to matters of fact, have been and shall continue to be true and correct in all material respects as at the time such responses have been or are given, as the case may be, and such responses taken as a whole have not and shall not omit any fact or information necessary to make any of the responses not misleading in light of the circumstances in which such responses were given or shall be given, as the case may be; and (ii) where the responses reflect the opinion or view of the Company or its officers (including responses or portions of such responses which are forward-looking or otherwise relate to projections, forecasts, or estimates of future performance or results (operating, financial or otherwise)), such opinions or views have been and will be honestly held and believed to be reasonable at the time they are given;

(hhh) the Company is not insolvent (within the meaning of Applicable Laws), is able to pay its liabilities as they become due and has sufficient working capital to fund its operations for at least 12 months following the Closing Date;

(iii) the Company has not withheld from the Agent any adverse material facts relating to the Company, any of the Subsidiaries or the Offering;

(jjj) the Company (i) has not made any significant acquisitions as such term is defined in Part 8 of NI 51-102 in its current financial year or prior financial years in respect of which historical and/or pro forma financial statements or other information would be required to be included or incorporated by reference into the Preliminary Prospectus or the Prospectus and for which a business acquisition report has not been filed under NI 51-102 (other than the acquisition disclosed in the Business Acquisition Report), (ii) has not entered into any agreement or arrangement in respect of a transaction that would be a significant acquisition for purposes of Part 8 of NI 51-102, and (iii) there are no proposed acquisitions by the Company that have progressed to the state where a reasonable person would believe that the likelihood of the Company completing the acquisition is high and would be a significant acquisition for the purposes of Part 8 of NI 51-102 if completed as of the date of the Prospectus;

(kkk) each benefit plan or pension plan administered or provided by the Company or any of its Subsidiaries is duly registered where required by Applicable Laws (including registration with relevant tax authorities where such registration is required to qualify for tax exemption or other tax beneficial status). Each benefit plan or pension plan has been administered in compliance in all material respects with, and is in good standing under, Applicable Laws. Neither the Company nor any Subsidiary contributes to or has an obligation to contribute to a plan, program or arrangement that provides defined benefit pensions or for which the funding is determined by reference to a defined benefit. The Company does not have any outstanding indebtedness or any liabilities or obligations, including any unfunded obligation, under any such benefit plan or pension plan, whether accrued, absolute, contingent or otherwise;

(lll) the Company is not currently party to any agreement in respect of the change of control of the Company (whether by sale or transfer of shares or sale of all or substantially all of the assets and properties of the Company or otherwise);

(mmm) all scientific research and experimental development ("**SR&ED**") tax incentives applied for by the Company or a Subsidiary are *bona fide* and the Company has no knowledge that Canada Revenue Agency will disallow, reassess or reduce any SR&ED incentives applied for by or previously granted to the Company or a Subsidiary;

(nnn) all statements made in the Preliminary Prospectus and the Prospectus describing the Offered Units, the Shares, the Warrants, the Warrant Shares, the Compensation Options, and the Compensation Units and the respective attributes thereof are complete and accurate in all material respects;

(ooo) the Company and the Subsidiaries and their directors, officers, employees and other representatives are familiar with and have conducted all transactions, negotiations, discussions and dealings in full compliance with anti-bribery and anti-corruption laws and regulations applicable in any jurisdiction in which they are located or conducting business. Neither the Company nor any Subsidiary has made any offer, payment, promise to pay, or authorization of payment of money or anything of value to any government official, or any other person while having reasonable grounds to believe that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a government official, for the purpose of (i) assisting the parties in obtaining, retaining or directing business; (ii) influencing any act or decision of a government official in his or its official capacity; (iii) inducing a government official to do or omit to do any act in violation of his or its lawful duty, or to use his or its influence with a government or instrumentality thereof to affect or influence any act or decision of such government or department, agency, instrumentality or entity thereof; or (iv) securing any improper advantage;

(ppp) the operations of the Company and the Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority (collectively, the "**Applicable Anti-Money Laundering Laws**") and no action, suit or proceeding by or before any Governmental Authority involving the Company or any Subsidiary with respect to Applicable Anti- Money Laundering Laws is, to the knowledge of the Company, pending or threatened;

(qqq) the Company has filed a current annual information form in the form prescribed by NI 51- 102 in each of the Qualifying Jurisdictions prior to the date of this Agreement; the Company is as of the date hereof an Eligible Issuer in the Qualifying Jurisdictions and, on the dates of and upon filing of the Preliminary Prospectus and Prospectus, has been and will continue to be an Eligible Issuer in the Qualifying Jurisdictions and there will be no documents required to be filed under the Applicable Securities Laws of the Qualifying Jurisdictions in connection with the Offering of the Offered Units that will not have been filed as required as at those respective dates;

(rrr) the Shares, Warrants and Warrant Shares will at the Closing Time qualify as eligible investments as described in the Preliminary Prospectus under the heading "Eligibility for Investment" and the Company will not take or permit any action within its control which would cause the Shares, Warrants or Warrant Shares to cease to be qualified, during the period of distribution of the Offered Units, as eligible investments to the extent so described in the Prospectus; and

(sss) at the time of delivery thereof to the Agent:

(i) the Preliminary Prospectus complied, and the Prospectus and all Supplementary Material, if any, will comply, fully with the requirements of Applicable Securities Laws;

(ii) the Preliminary Prospectus and the Prospectus provided, and all Supplementary Material, if any, will provide, full, true and plain disclosure of all material facts relating to the Company (on a consolidated basis) and the Offered Units; and

(iii) the Preliminary Prospectus and the Prospectus did not, and all Supplementary Material, if any, will not, and the U.S. Placement Memorandum will not, contain any misrepresentation.

9. Covenants of the Company

The Company covenants and agrees with the Agent that the Company:

(a) will advise the Agent, promptly after receiving notice thereof, of the time when the Prospectus and any Supplementary Material has been filed and Passport Receipts have been obtained and will provide evidence satisfactory to the Agent of each such filing and copies of such Passport Receipts;

(b) will advise the Agent, promptly after receiving notice or obtaining knowledge of: (i) the issuance by any Securities Commission of any order suspending or preventing the use of the Preliminary Prospectus, the Prospectus or any Supplementary Material or suspending or seeking to suspend the trading or distribution of the Offered Units, Shares, Warrants or Warrant Shares; (ii) the suspension of the qualification of the Offered Units for offering or sale in any of the Qualifying Jurisdictions; (iii) the institution, threatening or contemplation of any proceeding for any such purposes; or (iv) any requests made by any Securities Commission for amending or supplementing the Preliminary Prospectus or the Prospectus or any Supplementary Material or for additional information, and will use its commercially reasonable efforts to prevent the issuance of any order or any suspension respectively referred to in (i) or (ii) above and, if any such order is issued, to obtain the withdrawal thereof as promptly as possible or if any such suspension occurs, to promptly remedy such suspension in accordance with this Agreement;

(c) will use its commercially reasonable efforts to remain, and to cause each Subsidiary to remain a corporation validly subsisting under the laws of its jurisdiction of incorporation or amalgamation, and to be duly licensed, registered or qualified as an extra-provincial or foreign corporation or entity in all jurisdictions where the character of its properties owned or leased or the nature of the activities conducted by it make such licensing, registration or qualification necessary and to carry on its business in the ordinary course and in compliance in all material respects with all Applicable Laws of each such jurisdiction, provided that the Company shall not be required to comply with this Section 9(c) following the completion of a merger, amalgamation, arrangement, business combination or take-over bid pursuant to which the Company ceases to be a "reporting issuer" (within the meaning of Applicable Securities Laws);

(d) will use its commercially reasonable efforts to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of the Applicable Securities Laws of each of the Qualifying Jurisdictions which have such a concept and will comply with all of its obligations under Applicable Securities Laws, provided that the Company shall not be required to comply with this Section 9(d) following the completion of a merger, amalgamation, arrangement, business combination or take-over bid pursuant to which the Company ceases to be a "reporting issuer" (within the meaning of Applicable Securities Laws);

(e) will use its commercially reasonable efforts (including, without limitation, making application to the Securities Commissions of each Qualifying Jurisdiction for all consents, orders and approvals necessary) to maintain the listing of the Common Shares and the Warrants on the CSE or such other recognized stock exchange or quotation system as the Agent may approve, acting reasonably, provided that the Company shall not be required to comply with this Section 9(e) following the completion of a merger, amalgamation, arrangement, business combination or take-over bid pursuant to which the Company ceases to be a "reporting issuer" (within the meaning of Applicable Securities Laws);

(f) will use its commercially reasonable efforts to ensure that the Shares, the Warrant Shares and the Warrants are, when issued, listed and posted for trading on the CSE upon their date of issuance;

(g) will apply the net proceeds from the issue and sale of the Offered Units in accordance with the disclosure set out under the heading "Use of Proceeds" in the Prospectus;

(h) will deliver to the Agent, as soon as practicable after the Prospectus and any Supplementary Material are prepared, the U.S. Placement Memorandum, incorporating the Prospectus or Supplementary Material, as the case may be, prepared for use in connection with the distribution of the Offered Units to purchasers in the United States in compliance with the provisions of Schedule "A";

(i) will promptly do, make, execute, deliver or cause to be done, made, executed or delivered, all such acts, documents and things as the Agent may reasonably require from time to time for the purpose of giving effect to this Agreement and take all such steps as may be reasonably required within its power to implement to the full extent the provisions, and to satisfy the conditions, of this Agreement;

(j) will on or before the time of filing the Prospectus provide to the Agent a copy of the conditional listing approval of the Shares, the Warrant Shares, and the Warrants on the CSE;

(k) will forthwith notify the Agent of any breach of any covenant of this Agreement or any Ancillary Documents by any party thereto, or upon it becoming aware that any representation or warranty of the Company contained in this Agreement or any Ancillary Document is or has become untrue or inaccurate in any material respect;

(l) will not, at any time prior to the closing of the Offering, halt the trading of the Shares on the CSE without the prior written consent of the Agent; and

(m) will make available management of the Company for meetings with investors as scheduled by the Agent at the discretion of the Agent, acting reasonably.

10. Conditions of Closing

The obligations of the Agent hereunder with respect to the Offering will be subject to the completion by the Agent of a due diligence review satisfactory to the Agent in its sole judgment and to the satisfaction (or waiver by the Agent in its sole discretion) of the following additional conditions, as applicable, which conditions the Company covenants to exercise its commercially reasonable efforts to have fulfilled on or prior to the Closing Time or any Option Closing Date, as applicable:

(a) the Agent will receive at the Closing Time a legal opinion addressed to the Agent and its counsel, Fasken Martineau DuMoulin LLP, dated and delivered on the Closing Date from the Company's counsel, McMillan LLP, in form and substance satisfactory to the Agent and its counsel, acting reasonably, with respect to the following matters, subject to such reasonable assumptions and qualifications customary with respect to transactions of this nature as may be accepted by Agent's counsel:

(i) the Company is a "reporting issuer", or its equivalent, in each of the Qualifying Jurisdictions and it is not listed as in default of Applicable Securities Laws in any of the Qualifying Jurisdictions which maintain such a list;

(ii) the Company is a corporation duly incorporated and validly existing under the BCBCA, and has all requisite corporate power, capacity and authority to carry on its business as now conducted and to own, lease and operate its property and assets as described in the Prospectus;

(iii) as to the authorized and issued capital of the Company;

(iv) the rights, privileges, restrictions and conditions attaching to the Shares, the Warrants and the Warrant Shares are accurately summarized in all material respects in the Prospectus;

(v) the Initial Shares have been duly and validly authorized and issued and are outstanding as fully paid and non-assessable shares in the capital of the Company;

(vi) the Over-Allotment Option has been duly and validly authorized and granted by the Company and the Additional Shares and Additional Warrants issuable upon the exercise of the Over-Allotment Option have been duly and validly allotted and reserved for issuance by the Company and, upon the exercise of the Over- Allotment Option including receipt by the Company of payment in full therefor, the Additional Shares will have been duly and validly authorized and issued and will be outstanding as fully-paid and non-assessable shares in the capital of the Company and the Additional Warrants will have been duly and validly created, authorized and issued by the Company;

(vii) the Compensation Options have been duly and validly authorized and granted by the Company and the Compensation Shares, Compensation Warrants and Shares issuable upon the exercise of the Compensation Options and Compensation Warrants, respectively, have been duly and validly allotted and reserved for issuance by the Company and, upon the exercise of the Compensation Options, and Compensation Warrants, as the case may be, the Compensation Shares, Compensation Warrants and Shares will have been duly and validly created, authorized and issued by the Company, and the Compensation Shares and Shares will be outstanding as fully-paid and non-assessable shares in the capital of the Company and the Compensation Warrants will be duly and validly created, authorized and issued by the Company;

(viii) the Warrants have been duly and validly created, authorized and issued by the Company;

(ix) the Warrant Shares have been duly and validly allotted and reserved for issuance and upon the exercise of the Warrants in accordance with their terms, the Warrant Shares will be duly and validly issued as fully paid and non-assessable Shares;

(x) the Company has all necessary corporate power and capacity: (i) to execute and deliver this Agreement and the Warrant Indenture and to perform its obligations hereunder and thereunder; (ii) to offer, issue, sell and deliver the Initial Shares and the Initial Warrants comprising the Initial Units; (iii) to grant the Over- Allotment Option and offer, issue, sell and deliver the Additional Shares and Additional Warrants issuable upon exercise of the Over-Allotment Option; (iv) to issue, sell and deliver the Warrant Shares upon the exercise of the Warrants; (v) to grant and issue the Compensation Options; and (vi) to offer, issue, sell and deliver the Compensation Shares and the Compensation Warrants comprising the Compensation Units, and the Shares comprising the Compensation Warrants;

(xi) all necessary corporate action has been taken by the Company to authorize the execution and delivery of each of the Preliminary Prospectus, the Prospectus and any Supplementary Material and the filing thereof with the Securities Commissions;

(xii) the Company has duly authorized, executed and delivered, this Agreement, the Warrant Indenture, and the certificate representing the Compensation Options, and authorized the performance of its obligations hereunder and thereunder, including the offering, creation (as applicable), issue, sale and delivery of the Initial Shares and the Initial Warrants comprising the Initial Units, the grant of the Over-Allotment Option, the offering, creation (as applicable) issue, sale and delivery of the Additional Shares and Additional Warrants issuable upon exercise of the Over-Allotment Option, and the Warrant Shares issuable upon exercise of the Additional Warrants, the creation and grant of the Compensation Options, the issue, sale and delivery of the Compensation Shares and the Compensation Warrants comprising the Compensation Units and the Common Shares issuable upon exercise of the Compensation Warrants and the offering, issue, sale and delivery of the Warrant Shares upon the exercise of the Warrants, and each of this Agreement and the Warrant Indenture constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the Qualification;

(xiii) each certificate representing the Compensation Options constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the Qualification;

(xiv) the execution and delivery of this Agreement and the Warrant Indenture and the fulfillment of the terms hereof and thereof, including the offering, creation (as applicable), issue, sale and delivery of the Initial Shares and the Initial Warrants comprising the Initial Units, the grant of the Over-Allotment Option, the offering, creation (as applicable) issue, sale and delivery of the Additional Shares and Additional Warrants issuable upon exercise of the Over-Allotment Option, the creation and grant of the Compensation Options, the issue, sale and delivery of the Compensation Shares and the Compensation Warrants comprising the Compensation Units, and the offering and the issue, sale and delivery of the Warrant Shares upon the exercise of the Warrants, and the consummation of the transactions contemplated by this Agreement and the Warrant Indenture, do not result in a breach of (whether after notice or lapse of time or both) or constitute a default under (i) any of the terms, conditions or provisions of the constating documents, articles or notice of articles of the Company, (ii) of which such counsel is aware, any resolutions of the shareholders or the board of directors (or any committee thereof) of the Company, or (iii) the laws of the Province of British Columbia and the federal laws of Canada applicable therein, or (iv) of which such counsel is aware, any judgement, order or decree of any Canadian federal, provincial or local government body, agency or court having jurisdiction over the Company;

(xv) the form and terms of the definitive certificate representing the Common Shares, the Warrants and the Compensation Options have been approved by the directors of the Company and comply in all material respects with the BCBCA, the constating documents of the Company and the rules of the CSE;

(xvi) AST Trust Company (Canada) is the duly appointed registrar and transfer agent for the Common Shares and AST Trust Company (Canada) is the duly appointed warrant agent and registrar and transfer agent for the Warrants;

(xvii) all necessary documents have been filed, all requisite proceedings have been taken, all approvals, permits and consents of the appropriate regulatory authority in each Qualifying Jurisdiction have been obtained, and all necessary legal requirements have been fulfilled, in order to qualify the distribution of the Compensation Options and to qualify the distribution of the Initial Shares and the Initial Warrants comprising the Over-Allotment Option and the Additional Shares and the Additional Warrants issuable upon exercise of the Over-Allotment Option, in each of the Qualifying Jurisdictions through dealers who are registered under Applicable Securities Laws and who have complied with the relevant provisions of such Applicable Laws;

(xviii) the issuance by the Company of the Warrant Shares in accordance with and pursuant to the terms and conditions of the Warrants and the Warrant Indenture is exempt from the prospectus requirements of the Applicable Securities Laws in the Qualifying Jurisdictions and no prospectus or other document is required to be filed, no proceeding is required to be taken and no authorization, approval, permit or consent of the Securities Commissions is required to be obtained by the Company under the Applicable Securities Laws in the Qualifying Jurisdictions to permit such issuance of the Warrant Shares;

(xix) as to the issuance of the Compensation Shares and the Compensation Warrants comprising the Compensation Units being exempt from the prospectus requirements of Applicable Securities Laws and being freely tradeable;

(xx) the first trade in the Warrant Shares underlying the Warrants is exempt from the prospectus requirements of the Applicable Securities Laws in the Qualifying Jurisdictions and no prospectus or other document is required to be filed, no proceeding is required to be taken and no approval, permit, consent or authorization of regulatory authorities is required to be obtained by the Company under Applicable Securities Laws of the Qualifying Jurisdictions to permit such trade through registrants registered under Applicable Securities Laws who have complied with such laws and the terms and conditions of their registration, provided that (i) such trade is not a "control distribution" as that term is defined in National Instrument 45-102 - *Resale of Securities* at the time of such trade, (ii) the Company is a reporting issuer (as defined under Applicable Securities Laws) at the time of such first trade, and (iii) such first trade is not a transaction or series of transactions involving a purchase and sale or a repurchase and resale in the course of or incidental to a distribution;

(xxi) subject only to the Standard Listing Conditions, the Shares, the Compensation Shares, the Warrant Shares and the Warrants, have been conditionally listed or approved for listing on the CSE;

(xxii) that the summary under the heading "Certain Canadian Federal Income Tax Considerations" in the Prospectus is a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of the Shares, Warrants and Warrant Shares, subject to the qualifications, assumptions, limitations and understandings set out in such summary; and

(xxiii) confirming that the statements under the heading "Eligibility for Investment" in the Prospectus, subject to the qualifications, assumptions and limitations set out under such heading, constitute a fair and adequate description of status of the Shares, Warrants and Warrant Shares as "qualified investments" under the *Income Tax Act* (Canada) and its regulations.

In connection with such opinion, counsel to the Company may rely on the opinions of local counsel in the Qualifying Jurisdictions acceptable to counsel to the Agent, acting reasonably, as to the qualification for distribution of the Offered Units or opinions may be given directly by local counsel of the Company with respect to those items and as to other matters governed by the laws of jurisdictions other than the province or provinces in which the Company's Canadian counsel are qualified to practice and may rely, to the extent appropriate in the circumstances but only as to matters of fact, on certificates of officers of the Company and others;

(b) the Agent shall have received a legal opinion from legal counsel to, and duly qualified to practice law in the jurisdiction of existence of, the Subsidiary, addressed to the Agent and legal counsel to the Agent with respect to: (i) the existence of the Subsidiaries; (ii) the issued and outstanding securities of the Subsidiaries and the securities thereof held by the Company or a Subsidiary; (iii) the corporate power and capacity of the Subsidiaries to carry on its business and activities and to own and lease its property and assets; each such opinion to be in form and substance, acceptable in all reasonable respects to the Agent and its legal counsel;

(c) if any Initial Units or Additional Units are sold to purchasers in the United States, the Agent will receive, at the Closing Time, a favourable legal opinion dated the Closing Date from United States counsel to the Company, to the effect that no registration of the Initial Units and Additional Units offered and sold to purchasers in the United States will be required under the U.S. Securities Act if made in accordance with this Agreement including the attached Schedule "A", such opinion to be in form and substance, acceptable in all reasonable respects to the Agent and its legal counsel, it being understood that such counsel need not express its opinion with respect to any subsequent re-sale of such Initial Units and Additional Units;

(d) the Agent shall have received a certificate dated the Closing Date or the Option Closing Date, as applicable, signed by the Chief Executive Officer and Chief Financial Officer of the Company or any other senior officer(s) of the Company as may be acceptable to the Agent, in form and content satisfactory to the Agent's counsel, acting reasonably, with respect to:

(i) the articles and notice of articles of the Company;

(ii) resolutions of the Company's board of directors relevant to, among other things, the issue and sale of the Offered Units, the Shares, the Warrants, the Warrants Shares, the Compensation Options, and the Compensation Units, to be issued and sold by the Company and the authorization of this Agreement and the other agreements and transactions contemplated herein; and

(iii) the incumbency and signatures of signing officers of the Company;

(e) the Agent shall have received a certificate of status or the equivalent dated within one Business Day of the Closing Date, in respect of the Company and the Subsidiaries;

(f) the Company shall deliver "bring down" comfort letters, addressed to the Agent, dated the Closing Date, in form and substance satisfactory to the Agent, bringing forward to a date not more than two Business Days prior to the Closing Date, the information contained in the comfort letters referred to in Section 5(a)(iv) hereof;

(g) the Company shall deliver to the Agent, at the Closing Time, certificates dated the Closing Date or the Option Closing Date, as applicable, addressed to the Agent and signed by the Chief Executive Officer and the Chief Financial Officer of the Company, or such other senior officer(s) of the Company as may be acceptable to the Agent, certifying for and on behalf of the Company and without personal liability, to the effect that:

(i) the Company has complied in all respects with all the covenants and satisfied all the terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to the Closing Time;

(ii) the representations and warranties of the Company contained herein are true and correct as at the Closing Time with the same force and effect as if made on and as at the Closing Time after giving effect to the transactions contemplated hereby;

(iii) the Final Receipt has been issued by the BCSC for the Prospectus pursuant to the Passport System and, to the knowledge of such persons, no order, ruling or determination having the effect of ceasing the trading or suspending the sale of the Shares or other securities of the Company, or the Offered Units to be issued and sold by the Company has been issued and no proceedings for such purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened;

(iv) since the respective dates as of which information is given in the Prospectus or any Supplementary Material (A) there has been no material change in the Company or its Subsidiaries, (B) there has been no material and adverse change (financial or otherwise) in the business, assets (including intangible assets), affairs, operations, prospects, liabilities (contingent or otherwise), capital, properties, condition (financial or otherwise) or results of operations or control of the Company and the Subsidiaries (taken as a whole), and (C) no transaction has been entered into by or affecting the Company or any Subsidiary which is material to the Company and the Subsidiaries (taken as a whole), other than as disclosed in the Prospectus or in any Supplementary Material;

(v) there has been no change in any material fact (which includes the disclosure of any previously undisclosed material fact) contained in the Prospectus which fact or change is, or may be, of such a nature as to render any statement in the Prospectus misleading or untrue in any material respect or which would result in a misrepresentation in the Prospectus or which would result in the Prospectus not complying with Applicable Securities Laws; and

(vi) such other matters as the Agent may reasonably request;

(h) the Agent shall have received copies of correspondence indicating that the Company has obtained all necessary approvals for the issuance of the Initial Shares, the Additional Shares, the Compensation Shares, the Warrant Shares and the Warrants to be listed on the CSE, subject only to the Standard Listing Conditions;

(i) the representations and warranties of the Company contained in this Agreement will be true at and as of the Closing Time on the Closing Date, and, if applicable, the Option Closing Date as if such representations and warranties were made at and as of such time and all agreements, covenants and conditions required by this Agreement to be performed, complied with or satisfied by the Company at or prior to the Closing Time on the Closing Date or the Option Closing Date, as applicable, will have been performed, complied with or satisfied prior to that time;

(j) the absence of any misrepresentations in the Offering Documents or undisclosed material change or undisclosed material facts relating to the Company, any Subsidiary or the Offered Units;

(k) the Company shall have received a Preliminary Receipt and a Final Receipt qualifying the Offered Units for distribution in the Qualifying Jurisdictions, and neither the Preliminary Receipt nor the Final Receipt shall be invalid or have been revoked or rescinded by any Securities Commission;

(l) the Agent shall have received a certificate from AST Trust Company (Canada) as to the number of Shares issued and outstanding as at the date immediately prior to the Closing Date; and

(m) the Agent will have received such other certificates, opinions, agreements or closing documents in form and substance reasonably satisfactory to the Agent as the Agent may reasonably request.

11. Closing

The closing of the purchase and sale of the Offered Units shall be completed at the Closing Time at the Toronto offices of McMillan LLP or at such other place as the Agent and the Company shall agree upon. At the Closing Time:

(a) the Company will deliver to the Agent, or as the Agent may direct, (i) via electronic deposit or represented by one or more certificates in definitive form, the Initial Shares and Initial Warrants, in each case registered in the name of "CDS & Co." or in such other name or names as the Agent may notify the Company in writing not less than 48 hours prior to the Closing Time or made and settled in CDS under the non-certificated inventory system, (ii) one or more certificates in definitive form representing the Compensation Options, in each case registered in such name or names as the Agent shall notify the Company in writing not less than 48 hours prior to the Closing Time, and (iii) all further documentation as may be contemplated in this Agreement or as counsel to the Agent may reasonably require; against payment by the Agent to the Company of the applicable purchase price for the Initial Units and any Additional Units being issued and sold under this Agreement, net of the Agent's Fees and the Agent's expenses contemplated in Section 15 of this Agreement, by certified cheque, bank draft or wire transfer payable to or as directed by the Company not less than 48 hours prior to the Closing Time; and

(b) the obligation of the Agent to complete the purchase of any Additional Shares and Additional Warrants under this Agreement, upon the exercise of the Over-Allotment Option, is subject to the receipt by the Agent of those documents contemplated, and the satisfaction of those conditions set forth, in Section 10 as the Agent may request. In the event that the Company shall subdivide, consolidate, reclassify or otherwise change its Shares during the period in which the Over-Allotment Option is exercisable, appropriate adjustments will be made to the exercise price and to the number of the Initial Shares and the Initial Warrants, and any Additional Shares and Additional Warrants issuable on exercise thereof such that the Agent is entitled to arrange for the sale of the same number and type of securities that the Agent would have otherwise arranged for had they exercised such Over-Allotment Option immediately prior to such subdivision, consolidation, reclassification or change.

12. Restrictions on Further Issues or Sales

During the period commencing on the date hereof and ending 120 days after the Closing Date, it will not, directly or indirectly, without the prior written consent of the Agent, such consent not to be unreasonably withheld or delayed, issue, sell, offer, grant an option or right in respect of, or otherwise dispose of, or enter into any derivative transaction that has the effect of the foregoing, or agree to or announce any intention to issue, sell, offer, grant an option or right in respect of, or otherwise dispose of, or enter into any derivative transaction that has the effect of the foregoing, any additional Common Shares, equity securities or debt securities, or any securities convertible into or exchangeable for Common Shares, equity securities or debt securities, except in conjunction with (i) any equity securities which may be issued from time to time as agreed to in employee compensation agreements, (ii) any existing option/warrant obligations, (iii) the grant of stock options or other similar issuances pursuant to the share incentive plan(s) of the Company, (iv) in connection with acquisitions in normal course or other existing obligations, or (v) the Offering.

13. Indemnification by the Company

(a) The Company shall fully indemnify and save harmless the Agent and its affiliates and their respective directors, officers, employees, shareholders, partners, advisors and agents and each other person, if any, controlling the Agent or its affiliates (collectively, the "**Indemnified Parties**" and individually an "**Indemnified Party**") from and against any and all liabilities, claims (including securityholder actions, derivative or otherwise), actions, losses, costs, damages and expenses (including the aggregate amount paid in settlement of any action, suit, proceeding, investigation or claim) and the reasonable fees and expenses of their counsel (collectively, "**Losses**") that may be incurred in advising with respect to and/or defending any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party or in enforcing this indemnity (collectively, the "**Claims**" and individually, a "**Claim**") to which any Indemnified Party may become subject or otherwise involved in any capacity insofar as the Losses and/or Claims relate to, are caused by, result from, arise out of, or are in connection with, directly or indirectly:

(i) the breach of any representation or warranty of the Company made in any Ancillary Document or the failure of the Company to comply with any of its obligations in any Ancillary Document or any omission or alleged omission to state in any Ancillary Document any fact required to be stated in such document or necessary to make any statement in such document not misleading in light of the circumstances under which it was made;

(ii) any information or statement (except the Agent's Information) in any of the Offering Documents (including, for greater certainty, the Documents Incorporated by Reference and any Subsequent Disclosure Documents) containing or being alleged to contain a misrepresentation or being or being alleged to be untrue, or based upon any omission or alleged omission to state in any of the Offering Documents any material fact required to be stated in those documents or necessary to make any of the statements therein not misleading in light of the circumstances in which they were made;

(iii) any order made or any inquiry, investigation or proceeding instituted, threatened or announced by any court, securities regulatory authority, stock exchange or by any other competent authority, based upon any untrue statement, omission or misrepresentation or alleged untrue statement, omission or misrepresentation (except a statement, omission or misrepresentation relating solely to the Agent's Information) contained in any of the Offering Documents or any other document or material filed or delivered on behalf of the Company pursuant to this Agreement, preventing or restricting the trading in or the sale or distribution of the Offered Units, the Shares, the Warrants, the Warrant Shares, the Compensation Options, the Compensation Units, or any other securities of the Company;

(iv) the non-compliance by the Company with any Applicable Securities Laws or other regulatory requirements or the rules of the CSE including the Company's non-compliance with any statutory requirement to make any document available for inspection;

(v) any statement contained in the Disclosure Record which at the time and in the light of the circumstances under which it was made, contained or is alleged to have contained a misrepresentation or untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make any statement therein not misleading in light of the circumstances in which they were made;

(vi) the omission or alleged omission to state in this Agreement any fact required to be stated herein or necessary to make any statement herein not misleading in light of the circumstances under which it was made;

(vii) any misrepresentation or alleged misrepresentation by or on behalf of the Company (other than by the Agent and Selling Firms) relating to the Offering, whether oral or written and whether made during and in connection with the Offering, where such misrepresentation may give or gives rise to any other liability under any statute in any jurisdiction which is in force on the date of this Agreement;

(viii) any failure or alleged failure to make timely disclosure of a material change by the Company, where such failure or alleged failure occurs during the Offering or during the period of distribution of the Offered Units or where such failure relates to the Offering or the Offered Units, and may give or gives rise to any liability under any statute in any jurisdiction which is in force on the date of this Agreement; or

(ix) any breach of any representation or warranty of the Company contained herein or the failure of the Company to comply with any of its covenants or other obligations contained herein or to satisfy any conditions contained herein required to be satisfied by the Company.

(b) If any Claim contemplated by this Section 13 shall be asserted against any of the Indemnified Parties, or if any potential Claim contemplated by this Section 13 shall come to the knowledge of any of the Indemnified Parties, the Indemnified Party concerned shall promptly notify in writing the Company of the nature of such Claim (provided that any failure to so notify in respect of any Claim or potential Claim shall affect the liability of the Company under this Section 13 only if and to the extent that the Company is materially and adversely prejudiced by such failure). The Company shall, subject as hereinafter provided, be entitled (but not required) to assume the defence on behalf of the Indemnified Party of any such Claim; provided that the defence shall be through legal counsel selected by the Company and acceptable to the Indemnified Party, acting reasonably. An Indemnified Party shall have the right to employ separate counsel in any such Claim and participate in the defence thereof but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless:

(i) the Company fails to assume the defence of such Claim on behalf of the Indemnified Party within ten days of receiving notice of such suit;

(ii) the employment of such counsel has been authorized by the Company; or

(iii) the named parties to any such Claim (including any added or third parties) include the Indemnified Party and the Company and the Indemnified Party shall have been advised by counsel that representation of the Indemnified Party by counsel for the Company is inappropriate as a result of the potential or actual conflicting interests of those represented or that there may be legal defences available to the Indemnified Party or Indemnified Parties which are different from or in addition to those available to the Company or that the subject matter of the Claim may not fall within the foregoing indemnity or that there is a conflict of interest between the Company and the Indemnified Parties;

in which case, the Company shall not have the right to assume the defence of such Claim on behalf of the Indemnified Party and the Company shall be liable to pay the reasonable fees and disbursements of counsel for such Indemnified Parties as well as the reasonable costs and out-of-pocket expenses of the Indemnified Party (including an amount to reimburse the Agent at its normal per diem rates for time spent by its directors, officers, employees or shareholders). Notwithstanding anything set forth herein, in no event shall the Company be liable for the fees or disbursements of more than one firm of legal counsel to an Indemnified Party in a particular jurisdiction in respect of any particular Claim or related set of Claims.

The Company will not, without each affected Indemnified Party's prior written consent, such consent not to be unreasonably withheld, admit any liability, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, suit, proceeding, investigation or claim in respect of which indemnification may be sought hereunder unless in connection with any settlement, compromise or consent by the Company, such settlement, compromise or consent (i) includes an unconditional release of each Indemnified Party from any liabilities arising out of such action, suit, proceeding, investigation or claim (if an Indemnified Party is a party to such action) and (ii) does not include a statement as to, or an admission of fault, culpability or a failure to act by or on behalf of an Indemnified Party.

(c) The Company hereby acknowledges and agrees that, with respect to Sections 13 and 14 hereof, the Agent is contracting on its own behalf and as agent for its affiliates, and its and their respective directors, officers, employees, partners, shareholders, advisors, agents and each other person, if any, controlling the Agent or its affiliates (collectively, the "**Beneficiaries**"). In this regard, the Agent shall act as trustee for the Beneficiaries of the covenants of the Company under Sections 13 and 14 hereof with respect to the Beneficiaries and accepts these trusts and shall hold and enforce such covenants on behalf of the Beneficiaries.

(d) The Company hereby waives any right it may have of first requiring an Indemnified Party to proceed against or enforce any other right, power, remedy or security or claim payment from any other person before claiming under this indemnity. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company or any person asserting Claims on behalf of or in right of the Company for or in connection with the Offering except to the extent any Losses suffered by the Company are determined by a court of competent jurisdiction in a final judgment that has become non-appealable to have resulted from the gross negligence, fraud, illegal act or wilful misconduct of such Indemnified Party.

(e) Notwithstanding anything to the contrary contained herein, the foregoing indemnity in this Section 13 shall not apply to the extent that a court of competent jurisdiction in a final judgment that has become non-appealable shall determine that such Losses to which the Indemnified Party may be subject were caused solely by the gross negligence, fraud, illegal act or wilful misconduct of the Indemnified Party. For greater certainty, the Company and the Agent agree that they do not intend that any failure by the Agent to conduct such reasonable investigation as necessary to provide the Agent with reasonable grounds for believing the Offering Documents contained no misrepresentation shall constitute "gross negligence", "fraud" or "illegal act" or "wilful misconduct" for purposes of this Section 13 or otherwise disentitle the Agent from indemnification hereunder.

(f) The Company agrees that in case any legal proceeding shall be brought against the Company and/or the Agent by any governmental commission or regulatory authority or any stock exchange or other entity having regulatory authority, either domestic or foreign, or if any such commission or authority shall investigate the Company and/or the Indemnified Parties and any Indemnified Parties shall be required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection with, or by reason of the performance of professional services rendered to the Company by the Agent, the Indemnified Parties shall have the right to employ their own counsel in connection therewith, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Agent for time spent by the Indemnified Parties in connection therewith) and out-of- pocket expenses incurred by Indemnified Parties in connection therewith shall be paid by the Company as they occur. The Company agrees to reimburse the Agent for the time spent by their personnel in connection with any Claim at their normal per diem rates.

(g) The rights to indemnification provided in this Section 13 shall be in addition to and not in derogation of any other rights which the Agent may have by statute or otherwise at law.

14. Contribution

(a) In order to provide for just and equitable contribution in circumstances in which the indemnity provided in Section 13 hereof would otherwise be available in accordance with its terms but is, for any reason held to be illegal, unavailable to or unenforceable by the Indemnified Parties or enforceable otherwise than in accordance with its terms, the Company and the Agent shall contribute to the aggregate of all Losses of the nature contemplated in Section 13 hereof and suffered or incurred by the Indemnified Parties (i) in such proportion as is appropriate to reflect not only the relative benefits received by the Company, on the one hand, and the Agent on the other hand, from the distribution of the Offered Units, or (ii) if the allocation provided by (i) is not permitted by Applicable Law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Agent, on the other hand, in respect of such Losses; provided that the Company shall in any event contribute to the amount paid or payable by the Indemnified Parties as a result of such Claim any excess of such amount over the amount actually received by the Agent or any other Indemnified Party under this Agreement and further provided that the Agent shall not in any event be liable to contribute, in the aggregate, any amount in excess of such total Agent's Fees or any portion thereof actually received by the Agent. However, no party who has engaged in any fraud, fraudulent misrepresentation or wilful misconduct shall be entitled to claim contribution from any person who has not engaged in such fraud, fraudulent misrepresentation or wilful misconduct.

(b) The relative benefits received by the Company, on the one hand, and the Agent, on the other hand, shall be deemed to be in the same ratio as the total proceeds from the Offering of the Offered Units (net of the Agent's Fees payable to the Agent but before deducting expenses) received by the Company is to the Agent's Fees actually received by the Agent. The relative fault of the Company, on the one hand, and of the Agent, on the other hand, shall be determined by reference to, among other things, whether the matters or things referred to in Section 13 which resulted in such Claims and/or Losses relate to information supplied by or steps or actions taken or done or not taken or not done by or on behalf of the Company or to information supplied by or steps or actions taken or done or not taken or not done by or on behalf of the Agent and the relative intent, knowledge, access to information and opportunity to correct or prevent such statement, omission or misrepresentation, or other matter or thing referred to in Section 13. The amount paid or payable by an Indemnified Party as a result of the Claims and/or Losses referred to above shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such Claims and/or Losses, whether or not resulting in an action, suit, proceeding or claim. The parties to this Agreement agree that it would not be just and equitable if contribution pursuant to this Section 14 were determined by any method of allocation which does not take into account the equitable considerations referred to in this Section 14.

(c) If the Company may be held to be entitled to contribution from the Agent under the provisions of any statute or at law, the Company shall be limited to contribution in an aggregate amount not exceeding the lesser of:

(i) the portion of the full amount of the Losses giving rise to such contribution for which the Agent is responsible, as determined in Section 13(a); and

(ii) the amount of the aggregate Agent's Fees actually received by the Agent from the Company under this Agreement.

(d) The rights to contribution provided in this Section 14 shall be in addition to and not in derogation of any other right to contribution which the Indemnified Parties may have by statute or otherwise at law.

(e) If an Indemnified Party has reason to believe that a claim for contribution may arise, the Indemnified Party shall give the Company notice thereof in writing, but failure to so notify shall not relieve the Company of any obligation which it may have to the Indemnified Party under this Section 14 provided that the Company is not materially and adversely prejudiced by such failure, and the right of the Company to assume the defence of such Indemnified Party shall apply as set out in Section 13 hereof, *mutatis mutandis*.

15. Fees and Expenses

Whether or not the purchase and sale of the Offered Units shall be completed, all fees and expenses (including GST or HST, if applicable) of or incidental to the creation, issuance and delivery of the Offered Units and of or incidental to all matters in connection with the transactions herein set out shall be borne by the Company including, without limitation:

(a) all expenses of or incidental to the creation, issue, sale or distribution of the Offered Units and the filing of the Preliminary Prospectus, the Prospectus and any Supplementary Material;

(b) the fees and expenses of the auditors, counsel to the Company and all local counsel (including disbursements and GST or HST, if and as applicable, on all of the foregoing);

(c) all costs incurred in connection with the preparation and printing of the Preliminary Prospectus, the Prospectus and any Supplementary Material contemplated hereunder and otherwise relating to the Offering; and

(d) the reasonable out-of-pocket expenses and fees of the Agent, including the reasonable fees and expenses of the Agent's Canadian and U.S. counsel (subject to a maximum amount set forth in Section (e) of the Letter Agreement), with such expenses to be paid by the Company at the Closing Time or at any other time requested by the Agent, provided that all fees and expenses incurred by the Agent, or on its behalf, pursuant to the Offering shall be payable by the Company immediately upon receiving an invoice therefor from the Agent.

16. All Terms to be Conditions

The Company agrees that the conditions contained in Section 10 will be complied with insofar as the same relate to acts to be performed or caused to be performed by the Company and that it will use its commercially reasonable efforts to cause all such conditions to be complied with. Any breach or failure to comply with or satisfy any of the conditions set out in Section 10 shall entitle the Agent to terminate its obligation to purchase the Offered Units, by written notice to that effect given to the Company at or prior to the Closing Time. It is understood that the Agent may waive, in whole or in part, or extend the time for compliance until no later than 90 days from the date of the Final Receipt with, any of such terms and conditions without prejudice to the rights of the Agent in respect of any such terms and conditions or any other or subsequent breach or non- compliance, provided that to be binding on the Agent any such waiver or extension must be in writing.

17. Termination by Agent in Certain Events

(a) The Agent shall also be entitled to terminate its obligations under this by written notice to that effect given to the Company at or prior to the Closing Time if:

(i) there is a material change or a change in a material fact or new material fact shall arise, or there should be discovered any previously undisclosed material fact required to be disclosed in the Preliminary Prospectus or the Prospectus or any amendment thereto, in each case, that has or would be expected to have, in the sole opinion of the Agent, acting reasonably, a significant adverse change or effect on the business or affairs of the Company and the Subsidiaries or on the market price or the value of the Shares or other securities of the Company;

(ii) (i) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) is commenced, announced or threatened or any order is made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including, without limitation, the CSE or any securities regulatory authority or any law or regulation is enacted or changed which in the sole opinion of the Agent, acting reasonably, operates to prevent or materially restrict the trading of the Shares or any other securities of the Company or materially and adversely affects or might be expected to materially and adversely affect the market price or value of the Offered Units, the Shares, the Warrants, the Warrant Shares, the Compensation Options, the Compensation Units, the Common Shares or other security of the Company; or (ii) if there should develop, occur or come into effect or existence any event, action, state, condition (including without limitation, terrorism or accident) or major financial occurrence of national or international consequence or any new or change in any law or regulation which in the sole opinion of the Agent, acting reasonably, seriously adversely affects, or involves, or might seriously adversely affect, or involve, the financial markets generally or the business, operations or affairs of the Company and its Subsidiaries taken as a whole;

(iii) the Company is in breach of any term, condition or covenant of this Agreement or any representation or warranty given by the Company in this Agreement is or becomes false;

(iv) any order to cease or suspend trading in the Shares or any other securities of the Company or prohibiting or restricting the distribution of any securities of the Company, including the Offered Units, is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the CSE or any other competent authority, and has not been rescinded, revoked or withdrawn;

(v) the state of financial markets in Canada or the United States is such that, in the reasonable opinion of the Agent, the Offered Units cannot be marketed profitably; or

(vi) the Agent and the Company agree in writing to terminate this Agreement in relation to the Agent.

(b) If this Agreement is terminated by the Agent pursuant to Section 17(a), there shall be no further liability on the part of the Agent, or on the part of the Company to the Agent except in respect of any liability which may have arisen or may thereafter arise under Sections 13, 14 and 15.

(c) The right of the Agent to terminate its obligations under this Agreement is in addition to such other remedies as it may have in respect of any default, act or failure to act of the Company in respect of any of the matters contemplated by this Agreement.

18. Over-Allotment

In connection with the distribution of the Offered Units, the Agent and members of its selling group (if any) may over-allot or effect transactions which stabilize or maintain the market price of the Shares and Warrants at levels above those which might otherwise prevail in the open market, in compliance with Applicable Securities Laws. Those stabilizing transactions, if any, may be discontinued at any time.

19. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered,

in the case of the Company, to:

Algernon Pharmaceuticals Inc.
Suite 915 - 700 West Pender Street
Vancouver, BC
V6C 1G8

Email: chris@algernonpharmaceuticals.com
Attention: Christopher Moreau, Chief Executive Officer

with a copy of any such notice (which shall not constitute notice to the Company) to:

McMillan LLP
Royal Centre, Suite 1500
1055 West Georgia Street, PO Box 11117
Vancouver, British Columbia, V6E 4N7

Email: barbara.collins@mcmillan.ca
Attention: Barbara Collins

in the case of the Agent, to:

Mackie Research Capital Corporation
199 Bay Street, Suite 4500
Commerce Court West, Box 368
Toronto, Ontario M5L 1G2

Email: dkeating@mackieresearch.com
Attention: David Keating

and with a copy of any such notice (which shall not constitute notice to the Agent) to:

Fasken Martineau DuMoulin LLP
333 Bay Street, Suite 2400
Toronto, Ontario M5H 2T6

Email: jsabetti@fasken.com
Attention: John M. Sabetti

The Company and the Agent may change their respective addresses for notice by notice given in the manner aforesaid. Each notice shall be personally delivered to the addressee or sent by electronic transmission to the addressee and: (i) a notice which is personally delivered shall, if delivered on a Business Day, be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is delivered; and (ii) a notice which is sent by electronic transmission shall be deemed to be given and received on the Business Day on which it is confirmed to have been sent.

20. Alternative Transaction

If the Company does not proceed with the Offering for any reason(s) within the scope of its control, and if the Company enters into any Alternative Transaction (as defined below) to the Offering contemplated hereunder during the term of this Agreement or within six (6) months following a termination of this Agreement (including where the Company and the Agent are not able to agree on the terms of the Offering), the Company agrees to pay to the Agent, at or prior to completion of any such Alternative Transaction, in addition to any expenses required to be reimbursed (as per Section 15) herein), the full amount of Agent's Fees which would have been payable to the Agent had the Offering been completed for gross proceeds of $2.5 million. For greater certainty, where the Agent terminates the Offering in accordance with this Agreement, the Company shall not be obligated to pay the Agent's Fees, but the Company shall remain liable for any and all reasonable fees and expenses incurred by the Agent (and their legal counsel) up to the date of termination (as per Section 15).

An "**Alternative Transaction**" means any equity or debt financing, merger, amalgamation, arrangement, business combination, take-over bid, insider bid, issuer bid, reorganization, joint venture, sale or exchange of a part of, all of, or substantially all of the assets or common shares of the Company or any similar transaction involving the Company with any arm's length party.

21. Right of First Refusal

Provided that there is a Closing of the Offering, to the extent that within the 12-month period thereafter, the Company requires any of the following additional services, the Agent is hereby granted a right of first refusal to provide such services as referenced below, the terms and conditions relating to such services to be outlined in a separate agreement and the fees for such services to be in addition to fees payable hereunder:

(i) lead manager, lead underwriter or lead agent and sole book-runner for any equity or equity-linked debt financing undertaken by the Company;

(ii) the provision of a formal valuation or fairness opinion; and

(iii) any financial advisory assistance, whether in respect of any acquisition, divestiture or business combination proposal, or otherwise.

22. Relationship between the Company and the Agent

In connection with the services described herein, the Agent shall act as independent contractor, and any duties of the Agent arising out of this Agreement shall be owed solely to the Company. The Company acknowledges that the Agent is a securities firm that is engaged in securities trading and brokerage activities, as well as providing investment banking and financial advisory services, which may involve services provided to other companies engaged in businesses similar or competitive to the business of the Company and that the Agent shall have no obligation to disclose such activities and services to the Company. The Company acknowledges and agrees that in connection with all aspects of the engagement contemplated hereby, and any communications in connection therewith, the Company, on the one hand, and the Agent and any of its affiliates through which they may be acting, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Agent or such affiliates, and each party hereto agrees that no such duty will he deemed to have arisen in connection with any such transactions or communications. The Company acknowledges and agrees that it waives, to the fullest extent permitted by law, any claims the Company and its affiliates may have against the Agent for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Agent shall have no liability (whether direct or indirect) to the Company or any of its affiliates in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company. Information which is held elsewhere within the Agent, but of which none of the individuals in the investment banking department or division of the Agent involved in providing the services contemplated by this Agreement actually has knowledge (or without breach of internal procedures can properly obtain) will not for any purpose he taken into account in determining any of the responsibilities of the Agent to the Company under this Agreement.

23. Miscellaneous

(a) This Agreement shall enure to the benefit of, and shall be binding upon, the Agent and the Company and their respective successors and legal representatives, provided that no party may assign this Agreement or any rights or obligations under this Agreement, in whole or in part, without the prior written consent of the other party.

(b) This Agreement, including all schedules to this Agreement, constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties with respect to such subject matter. This Agreement may only be amended, supplemented, or otherwise modified by written agreement signed by all of the parties.

(c) The Company acknowledges and agrees that: (i) the Offering contemplated by this Agreement is an arm's length commercial transaction between the Company, on the one hand, and the Agent, on the other; (ii) in connection therewith and with the process leading to such transaction the Agent is acting solely as a principal and not the agent or fiduciary of the Company; (iii) the Agent has not assumed an advisory or fiduciary responsibility in favour of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether the Agent has advised or is concurrently advising the Company on other matters) or any other obligation to the Company except the obligations expressly set forth in this Agreement; and (iv) the Company has consulted its own legal and financial advisors to the extent they deemed appropriate. The Company agrees that it will not claim that the Agent, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company in connection with such transaction or the process leading thereto.

(d) The Company acknowledges and agrees that all written and oral opinions, advice, analyses and materials provided by the Agent in connection with this Agreement and their engagement hereunder are intended solely for the Company's benefit and the Company's internal use only with respect to the Offering and the Company agrees that no such opinion, advice, analysis or material will be used for any other purpose whatsoever or reproduced, disseminated, quoted from or referred to in whole or in part at any time, in any manner or for any purpose, without the Agent's prior written consent in each specific instance. Any advice or opinions given by the Agent hereunder will be made subject to, and will be based upon, such assumptions, limitations, qualifications, and reservations as the Agent, in its sole judgment, deems necessary or prudent in the circumstances. The Agent expressly disclaims any liability or responsibility by reason of any unauthorized use, publication, distribution of or reference to any oral or written opinions or advice or materials provided by the Agent or any unauthorized reference to the Agent or this Agreement.

(e) The Company acknowledges that the Agent is a full service securities firm engaged in securities trading and brokerage activities as well as providing investment banking and financial advisory services and that in the ordinary course of its trading and brokerage activities, the Agent and/or any of its affiliates at any time may hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities of the Company or any other company that may be involved in a transaction or related derivative securities.

(f) Neither the Company nor the Agent shall make any public announcement in connection with the Offering, except if the other party has consented to such announcement or the announcement is required by applicable laws or stock exchange rules. In such event, the party proposing to make the announcement will provide the other party with a reasonable opportunity, in the circumstances, to review a draft of the proposed announcement and to provide comments thereon.

(g) No waiver of any provision of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the party to be bound by the waiver. A party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a party from any other or further exercise of that right or the exercise of any other right it may have.

(h) If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction from which no appeal exists or is taken, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

(i) This Agreement shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and the parties submit to the non-exclusive jurisdiction of the courts of the Province of British Columbia.

(j) Time shall be of the essence hereof and, following any waiver or indulgence by any party, time shall again be of the essence hereof.

(k) The words, "hereunder", "hereof" and similar phrases mean and refer to the Agreement formed as a result of the acceptance by the Company of this offer by the Agent to offer and sell on a commercially reasonable "best efforts" basis the Offered Units.

(l) All warranties, representations, covenants (including indemnification obligations) and agreements of the Company herein contained or contained in any Ancillary Document shall survive the offer and sale by the Agent of the Offered Units and shall continue in full force and effect for the benefit of the Agent regardless of the Closing of the sale of the Offered Units, any subsequent disposition of the Offered Units by the purchasers thereof or the termination of the Agent's obligations under this Agreement and shall not be limited or prejudiced by any investigation made by or on behalf of the Agent in accordance with the preparation of the Preliminary Prospectus, the Prospectus or any Supplementary Material or the distribution of the Offered Units or otherwise, and the Company agrees that the Agent shall not be presumed to know of the existence of a claim against the Company under this Agreement or any Ancillary Document or in connection with the offer and sale of the Offered Units as a result of any investigation made by or on behalf of the Agent in accordance with the preparation of the Preliminary Prospectus, the Prospectus or any Supplementary Material or the distribution of the Offered Units or otherwise.

(m) Each of the parties hereto shall be entitled to rely on delivery of a facsimile or portable document format copy of this Agreement and acceptance by each such party of any such facsimile or portable document format copy shall be legally effective to create a valid and binding agreement between the parties hereto in accordance with the terms hereof.

(n) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

[*remainder of page intentionally left blank*]

If this Agreement accurately reflects the terms of the transactions which we are to enter into and are agreed to by you, please communicate your acceptance by executing the enclosed copies of this Agreement where indicated and returning them to us.

Yours very truly,

MACKIE RESEARCH CAPITAL CORPORATION

By: */s/ David Keating*
Name: David Keating
Title: Managing Director

Accepted and agreed to by the undersigned as of the date of this letter first written above.

ALGERNON PHARMACEUTICALS INC.

By: */s/ Christopher Moreau*
Name: Christopher Moreau
Title: Chief Executive Officer

SCHEDULE A

TERMS AND CONDITIONS FOR UNITED STATES OFFERS AND SALES

As used in this schedule, the following terms shall have the meanings indicated:

Accredited Investor	means an "accredited investor" as that term is defined in Rule 501(a) of Regulation D;
Affiliate	means an "affiliate" as that term is defined in Rule 405 under the U.S. Securities Act;
Directed Selling Efforts	means "directed selling efforts" as that term is defined in Rule 902 (c) of Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Units, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of any of the securities;
Foreign Issuer	means a "foreign issuer" as that term is defined in Rule 902(e) of Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means any issuer which is: (a) the government of any foreign country or of any political subdivision of a foreign country; or (b) a corporation or other organization incorporated under the laws of any foreign country, except an issuer meeting the following conditions as of the last Business Day of its most recently completed second fiscal quarter: (1) more than 50 percent of the outstanding voting securities of such issuer are held of record either directly or indirectly by residents of the United States; and (2) any of the following; (i) the majority of the executive officers or directors of the issuer are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;
General Solicitation or General Advertising	means "general solicitation or general advertising", as used in Rule 502(c) of Regulation D under the U.S. Securities Act, including any advertisement, article, notice or other communication published in any newspaper, magazine, on the internet or similar media or broadcast over radio or television or on the internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising;
Offshore Transaction	means "offshore transaction" as that term is defined in Rule 902(h) of Regulation S;
Regulation D	means Regulation D adopted by the SEC under the U.S. Securities Act;
Regulation S	means Regulation S adopted by the SEC under the U.S. Securities Act;

Rule 506(b)	means Rule 506(b) of Regulation D;
SEC	means the United States Securities and Exchange Commission;
Substantial U.S. Market Interest	means "substantial U.S. market interest" as that term is defined in Rule 902(j) of Regulation S;
U.S. Affiliate	means a United States registered broker-dealer affiliate of the Agent;
U.S. Exchange Act	means the United States Securities Exchange Act of 1934, as amended;
U.S. Placement Memorandum	means the U.S. private placement memorandum, including a copy of the English language version of the Prospectus, prepared by the Company in connection with the offer and sale of the Offered Units, in the United States;
U.S. Preliminary Placement Memorandum	means the preliminary U.S. private placement memorandum, including a copy of the English language version of the Preliminary Prospectus, prepared by the Company in connection with the offer and sale of the Offered Units in the United States; and
U.S. Securities Act	means the United States Securities Act of 1933, as amended.

All capitalized terms used herein without definition have the meanings ascribed thereto in the Agency Agreement to which this Schedule "A" is attached.

Representations, Warranties and Covenants of the Agent

The Agent, on its own behalf and on behalf of its U.S. Affiliate, acknowledges that the Offered Units have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. Person, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Agent, on its own behalf and on behalf of its U.S. Affiliate, represents, warrants, covenants and agrees to and with the Company that:

1. It has offered and sold, and will offer and sell, (a) the Offered Units forming part of its allotment only in Offshore Transactions in accordance with Rule 903 of Regulation S or (b) the Offered Units as provided in paragraphs 2 through 11 below. Accordingly, the Agent, its U.S. Affiliate, or any persons acting on its or their behalf, have not made or will not make (except as permitted in paragraphs 2 through 11 below): (i) any offer to sell or any solicitation of an offer to buy, any Offered Units in the United States or to, or for the account or benefit of, and U.S. Person or any person in the United States; (ii) any sale of Offered Units to any purchaser unless, at the time the buy order was or will have been originated, the purchaser was outside the United States, or the Agent, its U.S. Affiliate or persons acting on its or their behalf reasonably believed that such purchaser was outside the United States; or (iii) any Directed Selling Efforts in the United States with respect to the Offered Units.

2. It will not offer or sell the Offered Units in the United States or to, or for the account or benefit of, U.S. Persons, except that it may offer and sell the Offered Units to Accredited Investors, with whom the Agent or its U.S. Affiliate has a pre-existing relationship, in compliance with Rule 506(b). It shall inform, or cause its U.S. Affiliate to inform, each Accredited Investor that the Offered Units are being sold to it in reliance upon exemptions from the registration requirements of the U.S. Securities Act.

3. It has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Units, except with its U.S. Affiliate, any Selling Firms or with the prior written consent of the Company. It shall require each Selling Firm to agree in writing, for the benefit of the Company to comply with, and shall use its best efforts to ensure that each Selling Firm complies with, the same provisions of this Schedule "A" as apply to the Agent as if such provisions applied to such Selling Firm.

4. All offers of Offered Units to Accredited Investors have been and will be made by the Agent's U.S. Affiliate and all sales of the Offered Units to Accredited Investors shall be and will be made by the Agent's U.S. Affiliate in compliance with Rule 506(b) and any applicable state securities laws.

5. It and its Affiliates have not, either directly or through a person acting on its or their behalf, solicited and will not solicit offers to buy, and have not offered to sell and will not offer to sell, Offered Units in the United States by any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act.

6. All offers and sales of Offered Units have been or will be made in the United States in accordance with any applicable U.S. federal or state laws or regulations governing the registration or conduct of securities brokers or dealers and applicable rules of the Financial Industry Regulatory Authority, Inc. Each U.S. Affiliate that makes offers and sales in the United States is on the date hereof, and will be on the date of each offer and sale of Offered Units in the United States, duly registered as a broker-dealer pursuant to Section 15(b) of the U.S. Exchange Act and the securities laws of each state in which such offer or sale is made (unless exempted from the respective state's broker-dealer registration requirements) and a member in good standing with the Financial Industry Regulatory Authority, Inc.

7. Immediately prior to making an offer of the Offered Units in the United States or to, or for the account or benefit of, U.S. Persons, the Agent and its U.S. Affiliate had reasonable grounds to believe and did believe that each such offeree was an Accredited Investor. At the time of each sale of Initial Units and Additional Units to a person in the United States or to, or for the account or benefit of, a U.S. Person, the Agent, its U.S. Affiliate, and any person acting on its or their behalf will have reasonable grounds to believe and will believe, that each such purchaser is an Accredited Investor.

8. Each offeree of Offered Units in the United States, or that is purchasing for the account or benefit of a U.S. Person, shall be provided with a copy of either the U.S. Preliminary Placement Memorandum or the U.S. Placement Memorandum. Each purchaser of Offered Units in the United States, or that is purchasing for the account or benefit of a U.S. Person, shall be provided, prior to time of purchase of any Offered Units, with a copy of the U.S. Placement Memorandum and each Accredited Investor will be required to execute the subscription agreement in the form attached as Exhibit I to the U.S. Placement Memorandum.

9. At least one Business Day prior to the Closing Date, the Company and its transfer agent will be provided with a list of all purchasers of the Offered Units in the United States or that are purchasing for the account or benefit of a U.S. Person.

10. At the Closing, and any closing in connection with the Over-Allotment Option, the Agent (together with its U.S. Affiliate) that participated in the offer of Offered Units in the United States or to, or for the account or benefit of, a U.S. Person, will either: (i) provide a certificate, substantially in the form of Exhibit A to this Schedule "A", relating to the manner of the offer and sale of the Offered Units in the United States or to, or for the account or benefit of, a U.S. Person, or (ii) be deemed to have represented and warranted that neither it, its Affiliates nor any one acting on its or their behalf, has offered or sold any Offered Units in the United States or to, or for the account or benefit of, a U.S. Person.

11. Neither the Agent, its U.S. Affiliate or any person acting on its behalf (other than the Company, its Affiliates and any person acting on their behalf, as to which no representation is made) has taken or will take, directly or indirectly, any action in violation of Regulation M under the U.S. Exchange Act in connection with the offer and sale of the Offered Units.

12. The Agent represents and warrants that with respect to Offered Units to be sold in reliance on Rule 506(b), none of it, its U.S. Affiliate, or any of its or its U.S. Affiliate's directors, executive officers, general partners, managing members or other officers participating in the Offering, or any other person associated with the Agent who will receive, directly or indirectly, remuneration for solicitation of purchasers of Offered Units pursuant to Rule 506(b) (each, a "**Dealer Covered Person**" and, together, "**Dealer Covered Persons**"), is subject to any Disqualification Event (as defined below) except for a Disqualification Event (i) covered by Rule 506(d)(2)(i) of Regulation D and (ii) a description of which has been furnished in writing to the Company prior to the date hereof or, in the case of a Disqualification Event occurring after the date hereof, prior to the Closing Date.

13. The Agent represents that it is not aware of any person other than a Dealer Covered Person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Offered Units pursuant to Rule 506(b). It will notify the Company, prior to the Closing Date of any agreement entered into between it and any such person in connection with such sale.

14. The Agent will notify the Company, in writing, prior to the Closing Date, of (i) any Disqualification Event relating to any Dealer Covered Person not previously disclosed to the Corporation in accordance with paragraph 13, and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Dealer Covered Person.

Representations, Warranties and Covenants of the Company

The Company represents, warrants, covenants and agrees that:

1. The Company is, and at the Closing will be, a Foreign Issuer and reasonably believes that there is no Substantial U.S. Market Interest in the Offered Units.

2. The Company is not, and as a result of the sale of the Offered Units contemplated hereby and the application of the proceeds of the Offering as set forth under the caption "Use of Proceeds" in the Prospectus, will not be, an open-end investment company, a unit investment trust or a face- amount certificate company registered or required to be registered or a closed-end investment company required to be registered, but not registered, under the United States Investment Company Act of 1940, as amended.

3. Except with respect to offers and sales in accordance with Rule 506(b) and in accordance with this Schedule "A" to Accredited Investors in reliance upon the exemption from registration available under Rule 506(b), neither the Company nor any of its Affiliates, nor any person acting on its or their behalf (other than the Agent, its U.S. Affiliates or any person acting on their behalf, in respect of which no representation, warranty, covenant or agreement is made), has made or will make: (A) any offer to sell, or any solicitation of an offer to buy, any Offered Units to a person in the United States or to, or for the account or benefit of, a U.S. Person or a person in the United States; or (B) any sale of Offered Units unless, at the time the buy order was or will have been originated, the purchaser is (i) outside the United States and is not a U.S. Person or (ii) the Company, its Affiliates, and any person acting on their behalf reasonably believe that the purchaser is outside the United States and is not a U.S. Person.

4. During the period in which the Offered Units are offered for sale, neither it nor any of its Affiliates, nor any person acting on its or their behalf (other than the Agent, its U.S. Affiliates or any person acting on their behalf, in respect of which no representation, warranty, covenant or agreement is made) has engaged in or will engage in any Directed Selling Efforts in the United States with respect to the Offered Units, or has taken or will take any action in violation of Regulation M under the U.S. Exchange Act or that would cause the exemption afforded by Rule 506(b) to be unavailable for offers and sales of Offered Units in the United States or to, or for the account or benefit of, U.S. Persons or a person in the United States in accordance with this Schedule "A", or the exclusion from registration afforded by Rule 903 of Regulation S to be unavailable for offers and sales of the Offered Units outside the United States in accordance with the Agency Agreement.

5. None of the Company, any of its Affiliates or any person acting on its or their behalf (other than the Agent, its U.S. Affiliates or any person acting on their behalf, in respect of which no representation, warranty, covenant or agreement is made) has offered or will offer to sell, or has solicited or will solicit offers to buy, the Offered Units in the United States or to, or for the account or benefit of, U.S. Persons by means of any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act.

6. Except with respect to the offer and sale of the Offered Units offered hereby, the Company has not, for a period of six months prior to the commencement of the offering of the Offered Units, sold, offered for sale or solicited any offer to buy any of its securities in the United States or to, or for the account or benefit of, U.S. Persons in a manner that would be integrated with the offer and sale of the Offered Units and would cause the exemption from registration set forth in Rule 506(b) to become unavailable with respect to the offer and sale of the Offered Units.

7. The U.S. Preliminary Placement Memorandum and the U.S. Placement Memorandum (and any other material or document prepared or distributed by or on behalf of the Company used in connection with offers and sales of the Offered Units) include, or will include, statements to the effect that the Offered Units have not been registered under the U.S. Securities Act and may not be offered or sold in the United States, or to, or for the account or benefit of, U.S. Persons or persons in the United States unless an exemption from the registration requirements of the U.S. Securities Act and all applicable state securities laws is available. Such statements have appeared, or will appear, (i) on the cover page of the U.S. Preliminary Placement Memorandum and the U.S. Placement Memorandum; (ii) in the "Plan of Distribution" section of the U.S. Preliminary Placement Memorandum and the U.S. Placement Memorandum; and (iii) in any press release or other public statement made or issued by the Company or anyone acting on the Company's behalf.

8. None of the Company or any of its predecessors or subsidiaries has had the registration of a class of securities under the U.S. Exchange Act revoked by the SEC pursuant to Section 12(j) of the U.S. Exchange Act and any rules or regulations promulgated under the U.S. Exchange Act.

9. None of the Company or any of its predecessors or affiliates has been subject to any order, judgment or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D.

10. The Company will complete and file with the SEC a Notice on Form D within 15 days after the first sale of Offered Units pursuant to Rule 506(b), and will make such filings with any applicable state securities commission as may be required by state law.

11. With respect to Offered Units to be offered and sold in reliance on Rule 506(b), none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the Offering, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the U.S. Securities Act) connected with the Company in any capacity at the time of sale (each, an "**Issuer Covered Person**" and, together, "**Issuer Covered Persons**") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) of Regulation D (a "**Disqualification Event**"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) of Regulation D and disclosed to the Agent. The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event, and the Company shall deliver a certificate to such effect at the Closing Time. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e) of Regulation D, and has furnished to the Agent a copy of any disclosures provided thereunder.

12. The Company is not aware of any person (other than any Issuer Covered Person or Dealer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of Purchasers in connection with the sale of any Offered Units pursuant to Rule 506(b) of Regulation D.

13. The Company will notify the Agent, in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person.

14. Upon receipt of a written request from a purchaser in the United States, the Company shall make a determination if the Company is a "passive foreign investment company" (a "**PFIC**") within the meaning of section 1297(a) of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), during any calendar year following the purchase of the Offered Units by such purchaser, and if the Company determines that it is a PFIC during such year, the Company will provide to such purchaser, upon written request, all information that would be required to permit a United States shareholder to make an election to treat the Company as a "qualified electing fund" for the purposes of the Code.

EXHIBIT A TO SCHEDULE A

AGENT'S CERTIFICATE

In connection with the private placement in the United States of the Initial Units and Additional Units (the "**Offered Units**") of Algernon Pharmaceuticals Inc. (the "**Company**") pursuant to the agency agreement dated as of September 30, 2019 between the Company and the Agent named therein (the "**Agency Agreement**"), the undersigned does hereby certify as follows:

1. ● is on the date hereof, and was at the time of each offer and sale of the Offered Units made by it, a duly registered broker or dealer with the United States Securities and Exchange Commission, and a member of and in good standing with the Financial Industry Regulatory Authority, Inc. ("**FINRA**");

2. prior to the purchase of any Offered Units in the United States or to, or for the account or benefit of, U.S. Persons, each such offeree was provided with a copy of the U.S. Placement Memorandum, and no other written material, other than the U.S. Preliminary Placement Memorandum and any Supplementary Material approved by the Company for use in presentations to prospective purchasers, was used by us in connection with the Offering of the Offered Units in the United States or to, or for the account or benefit of, U.S. Persons,;

3. immediately prior to transmitting such U.S. Placement Memorandum to such offerees, we had reasonable grounds to believe and did believe that each offeree purchasing Offered Units was an Accredited Investor and, on the date hereof, we continue to believe that each person purchasing Offered Units in the United States is an Accredited Investor;

4. no Directed Selling Efforts and no form of "general solicitation" or "general advertising" (as those terms are used under Rule 502(c) of Regulation D under the U.S. Securities Act) was used by us, including advertisements, articles, notices or other communications published in any newspaper, magazine, on the internet or similar media or broadcast over radio, television or the internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Offered Units in the United States;

5. all offers and sales of Offered Units by us in the United States or to, or for the account or benefit of, U.S. Persons have been effected in accordance with all applicable U.S. federal and state broker-dealer requirements and FINRA rules;

6. we have not taken nor will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act;

7. all offers and sales of the Offered Units have been conducted by us in accordance with the terms of the Agency Agreement, including Schedule "A" thereto; and

8. prior to any sale of the Offered Units in the United States or to, or for the account or benefit of, U.S. Persons, we caused each Accredited Investor to execute a subscription agreement in the form attached as Exhibit I to the U.S. Placement Memorandum.

[*remainder of page intentionally left blank*]

Terms used in this certificate have the meanings given to them in the Agency Agreement, including Schedule "A" thereto, unless otherwise defined herein.

DATED this _____day of_____, 2019.

-

Per: _____
Authorized Signing Officer

-

Per _____
Authorized Signing Officer

ALGERNON PHARMACEUTICALS INC.

as the Corporation

and

AST TRUST COMPANY (CANADA)

as the Warrant Agent

WARRANT INDENTURE

Providing for the Issue of Warrants

Dated as of November 1, 2019

TABLE OF CONTENTS

WARRANT INDENTURE

THIS WARRANT INDENTURE is dated as of November 1, 2019.

BETWEEN:

ALGERNON PHARMACEUTICALS INC., a corporation incorporated under the laws of the Province of British Columbia

(the "**Corporation**"),

- and -

AST TRUST COMPANY (CANADA), a trust company existing under the laws of Canada and authorized to carry on business in all provinces of Canada

(the "**Warrant Agent**")

WHEREAS pursuant to the terms of the Agency Agreement (as defined herein), the Corporation has agreed to sell by way of a public offering a maximum of 30,588,235 units (the "**Units**"), plus an over-allotment option (the "**Over-Allotment Option**") to purchase an additional 15% of the Units sold, at a price of $0.085 per Unit, each such Unit consisting of one Common Share (as defined herein) and one Warrant (as defined herein) for total gross proceeds to the Corporation of up to approximately $2,600,000, plus proceeds from the exercise of the Over-Allotment Option (the "**Offering**");

WHEREAS pursuant to the Agency Agreement, the Corporation is proposing to issue up to 38,342,352 Warrants, comprised of a maximum of 30,588,235 Warrants that comprise the Units issued under the Offering, up to 4,588,235 Warrants issuable pursuant to the exercise of the Over-Allotment Option and up to 3,165,882 Warrants issuable pursuant to the exercise of Compensation Options (as defined herein) under this Indenture;

AND WHEREAS pursuant to this Indenture, each Warrant shall, subject to adjustment, entitle the holder thereof to acquire one (1) Common Share upon payment of the Exercise Price upon the terms and conditions herein set forth;

AND WHEREAS all acts and deeds necessary have been done and performed to make the Warrants, when created and issued as provided in this Indenture, legal, valid and binding upon the Corporation with the benefits and subject to the terms of this Indenture;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Warrant Agent;

NOW THEREFORE, in consideration of the premises and mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation hereby appoints the Warrant Agent as warrant agent to hold the rights, interests and benefits contained herein for and on behalf of those persons who from time to time become the holders of Warrants issued pursuant to this Indenture and the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

Section 1.1 Definitions.

In this Indenture, including the recitals and schedules hereto, and in all indentures supplemental hereto:

"**Acceleration Notice**" means a notice of acceleration deliverable by the Corporation to Warrantholders via press release and in accordance with Section 10.2 upon the Corporation's exercise of the Acceleration Right;

"**Acceleration Right**" means, subject to the approval of the Exchange and to Section 2.2(6), the right of the Corporation to accelerate the Expiry Date to the date that is not less than 30 days following delivery of the Acceleration Notice if, at any time prior to the Expiry Date, the daily volume-weighted average trading price of the Common Shares exceeds $0.35 for the preceding 20 consecutive Trading Days on the Exchange;

"Adjustment Period" means the period from the Effective Date up to and including the Expiry Time;

"**Agency Agreement**" means the agency agreement dated the date hereof between the Corporation and the Agent entered into in connection with the Offering;

"**Agent**" means Mackie Research Capital Corporation;

"**Applicable Legislation**" means any statute of Canada or a province thereof, and the regulations under any such named or other statute, relating to warrant indentures or to the rights, duties and obligations of warrant agents under warrant indentures, to the extent that such provisions are at the time in force and applicable to this Indenture;

"**Auditors**" means Smythe LLP or such other firm of chartered accountants duly appointed as auditors of the Corporation, from time to time;

"**Authenticated**" means (a) with respect to the issuance of a Warrant Certificate, one which has been duly signed by the Corporation and authenticated by signature of an authorized officer of the Warrant Agent, (b) with respect to the issuance of an Uncertificated Warrant, one in respect of which the Warrant Agent has completed all Internal Procedures such that the particulars of such Uncertificated Warrant as required by Section 2.7 are entered in the register of holders of Warrants, and "*Authenticate*", "*Authenticating*" and "*Authentication*" have the appropriate correlative meanings;

"**Book Entry Only Participants**" or "**Participants**" means institutions that participate directly or indirectly in the Depository's book entry registration system for the Warrants;

"**Book Entry Only Warrants**" means Warrants that are to be held only by or on behalf of the Depository;

"**Business Day**" means any day other than Saturday, Sunday or a statutory or civic holiday, or any other day on which banks are not open for business in the City of Vancouver, Province of British Columbia, and shall be a day on which the CSE is open for trading;

"**CDS Global Warrants**" means Warrants representing all or a portion of the aggregate number of Warrants issued in the name of the Depository represented by an Uncertificated Warrant, or if requested by the Depository or the Corporation, by a Warrant Certificate;

"**Certificated Warrant**" means a Warrant evidenced by a writing or writings substantially in the form of Schedule "A", attached hereto;

"**Closing Date**" means November 1, 2019;

"**Common Shares**" means, subject to Article 4, fully paid and non-assessable class A common shares of the Corporation as presently constituted;

"**Compensation Options**" means an aggregate of up to 3165,882 compensation options issuable to the Agent on the date hereof, each compensation option exercisable to acquire one Common Share and one Warrant at a price of $0.085 until May 1, 2022;

"**Counsel**" means a barrister and/or solicitor or a firm of barristers and/or solicitors retained by the Warrant Agent or retained by the Corporation, which may or may not be counsel for the Corporation;

"**CSE**" means the Canadian Securities Exchange or any successor thereto;

"**Current Market Price**" of the Common Shares at any date means the weighted average of the trading price per Common Share for such Common Shares for each day there was a closing price for the twenty (20) consecutive Trading Days ending five (5) days prior to such date on the CSE or if on such date the Common Shares are not listed on the CSE, on such stock exchange upon which such Common Shares are listed and as selected by the directors of the Corporation, or, if such Common Shares are not listed on any stock exchange then on such over-the-counter market as may be selected for such purpose by the directors of the Corporation;

"**Depository**" means CDS Clearing and Depository Services Inc. or such other person as is designated in writing by the Corporation to act as depository in respect of the Warrants;

"**Dividends**" means any dividends paid by the Corporation; "**Effective Date**" means the date of this Indenture;

"**Exchange Rate**" means the number of Common Shares subject to the right of purchase under each Warrant;

"**Exercise Date**" means, in relation to a Warrant, the Business Day on which such Warrant is validly exercised or deemed to be validly exercised in accordance with Article 3 hereof;

"**Exercise Notice**" has the meaning set forth in Section 3.2(1);

"**Exercise Price**" at any time means the price at which a whole Common Share may be purchased by the exercise of a whole Warrant, which is $0.12 per Common Share, payable in immediately available Canadian funds, subject to adjustment in accordance with the provisions of Section 4.1;

"**Expiry Date**" means the earlier of (i) May 1, 2022; and (ii) the date specified in an Acceleration Notice which shall not be less than thirty (30) days following the date of delivery of an Acceleration Notice in accordance with Section 2.2(6);

"**Expiry Time**" means 4:00 p.m. (Pacific time) on the Expiry Date;

"**Extraordinary Resolution**" has the meaning set forth in Section 7.11(1);

"**Internal Procedures**" means in respect of the making of any one or more entries to, changes in or deletions of any one or more entries in the register at any time (including without limitation, original issuance or registration of transfer of ownership) the minimum number of the Warrant Agent's internal procedures customary at such time for the entry, change or deletion made to be complete under the operating procedures followed at the time by the Warrant Agent, it being understood that neither preparation nor issuance shall constitute part of such procedures for any purpose of this definition;

"**Issue Date**" means the date on which the Warrants are actually originally issued by the Corporation;

"**Offering**" has the meaning attributed to it in the recitals hereto;

"**person**" means an individual, body corporate, partnership, trust, warrant agent, executor, administrator, legal representative or any unincorporated organization;

"**register**" means the one set of records and accounts maintained by the Warrant Agent pursuant to Section 2.9:

"**Registered Warrantholders**" means the persons who are registered owners of Warrants as such names appear on the register, and for greater certainty, shall include the Depository as well as the holders of Uncertificated Warrants appearing on the register of the Warrant Agent;

"**Regulation D**" means Regulation D as promulgated by the SEC under the U.S. Securities Act;

"**Regulation S**" means Regulation S as promulgated by the SEC under the U.S. Securities Act; "**SEC**" means the United States Securities and Exchange Commission;

"**Shareholders**" means holders of Common Shares;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder;

"**this Warrant Indenture**", "**this Indenture**", "**this Agreement**", "**hereto**" "**herein**", "**hereby**", "**hereof**" and similar expressions mean and refer to this Indenture and any indenture, deed or instrument supplemental hereto; and the expressions "**Article**", "**Section**", "**subsection**" and "**paragraph**" followed by a number, letter or both mean and refer to the specified article, section, subsection or paragraph of this Indenture;

"**Trading Day**" means, with respect to the CSE, a day on which such exchange is open for the transaction of business and with respect to another exchange or an over-the-counter market means a day on which such exchange or market is open for the transaction of business;

"**Uncertificated Warrant**" means any Warrant which is not a Certificated Warrant;

"**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

Units" has the meaning attributed to it in the recitals hereto;

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended; "**U.S. Person**" has the meaning set forth in Rule 902(k) of Regulation S;

"**U.S. Purchaser**" means an original purchaser of units of which the Warrants comprise a part who was, at the time of purchase, (a) a U.S. Person, (b) any person purchasing such units on behalf of, or for the account or benefit of, any U.S. Person or any person in the United States, (c) any person who receives or received an offer to acquire such units while in the United States, and (d) any person who was in the United States at the time such person's buy order was made or the subscription agreement pursuant to which such units were acquired was executed or delivered;

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended;

"**U.S. Warrantholder**" means any Warrantholder that (a) is a U.S. Person, (b) is in the United States, (c) any person who acquired Warrants on behalf of, or for the account or benefit of, any U.S. Person or any person in the United States, (d) received an offer to acquire Warrants while in the United States, or (e) was in the United States at the time such Warrantholder's buy order was made or such Warrantholder executed or delivered its purchase order for the Warrants;

"**U.S. Warrantholder Letter**" means the U.S. Warrantholder letter in substantially the form attached hereto as Schedule "D";

"**Warrants**" means the Common Share purchase warrants created by and authorized by and issuable under this Indenture, to be issued and countersigned hereunder as a Certificated Warrant and /or Uncertificated Warrant held through the book entry registration system on a no certificate issued basis, entitling the holder or holders thereof to purchase up to 38,342,352 Common Shares (subject to adjustment as herein provided) at the Exercise Price prior to the Expiry Time and, where the context so requires, also means the Warrants issued and Authenticated hereunder, whether by way of Warrant Certificate or Uncertificated Warrant;

"**Warrant Agency**" means the principal office of the Warrant Agent in the City of Vancouver, British Columbia or such other place as may be designated in accordance with Section 3.5;

"**Warrant Agent**" means AST Trust Company (Canada), in its capacity as warrant agent of the Warrants, or its successors from time to time;

"**Warrant Certificate**" means a certificate, substantially in the form set forth in Schedule "A" hereto, to evidence those Warrants that will be evidenced by a certificate;

"**Warrantholders**", or "**holders**" without reference to Warrants, means the warrantholders as and in respect of Warrants registered in the name of the Depository and includes owners of Warrants who beneficially hold securities entitlements in respect of the Warrants through a Book Entry Only Participant or means, at a particular time, the persons entered in the register hereinafter mentioned as holders of Warrants outstanding at such time;

"**Warrantholders' Request**" means an instrument signed in one or more counterparts by Registered Warrantholders entitled to acquire in the aggregate not less than 50% of the aggregate number of Common Shares which could be acquired pursuant to all Warrants then unexercised and outstanding, requesting the Warrant Agent to take some action or proceeding specified therein; and

"**written order of the Corporation**", "**written request of the Corporation**", "**written consent of the "Corporation**" and "**certificate of the Corporation**" mean, respectively, a written order, request, consent and certificate signed in the name of the Corporation by any two duly authorized signatories of the Corporation and may consist of one or more instruments so executed.

Section 1.2 Gender and Number.

Words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa.

Section 1.3 Headings, Etc.

The division of this Indenture into Articles and Sections, the provision of a Table of Contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Warrants.

Section 1.4 Day not a Business Day.

If any day on or before which any action or notice is required to be taken or given hereunder is not a Business Day, then such action or notice shall be required to be taken or given on or before the requisite time on the next succeeding day that is a Business Day.

Section 1.5 Time of the Essence.

Time shall be of the essence of this Indenture.

Section 1.6 Monetary References.

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

Section 1.7 Applicable Law.

This Indenture, the Warrants and the Warrant Certificates (including all documents relating thereto, which by common accord have been and will be drafted in English) shall be construed in accordance with the laws of the Province of British Columbia and the federal laws applicable therein and shall be treated in all respects as British Columbia contracts. Each of the parties hereto, which shall include the Warrantholders, irrevocably attorns to the exclusive jurisdiction of the courts of the Province of British Columbia with respect to all matters arising out of this Indenture and the transactions contemplated herein.

ARTICLE 2
ISSUE OF WARRANTS

Section 2.1 Creation and Issue of Warrants

A maximum of 38,342,352 Warrants (subject to adjustment as herein provided) are hereby created and authorized to be issued in accordance with the terms and conditions hereof. By written order of the Corporation, the Warrant Agent shall deliver Warrant Certificates to Registered Warrantholders and record the name of the Registered Warrantholders on the Warrant register. Registration of interests in Warrants held by the Depository may be evidenced by a position appearing on the register for Warrants of the Warrant Agent for an amount representing the aggregate number of such Warrants outstanding from time to time.

Section 2.2 Terms of Warrants.

(1) Subject to the applicable conditions for exercise set out in Article 3 having been satisfied and subject to adjustment in accordance with Section 4.1 each Warrant shall entitle each Warrantholder thereof, upon exercise at any time after the Issue Date and prior to the Expiry Time, to acquire one (1) Common Share upon payment of the Exercise Price.

(2) No fractional Warrants shall be issued or otherwise provided for hereunder and Warrants may only be exercised in a sufficient number to acquire whole numbers of Common Shares. Any fractional Common Shares shall be rounded down to the nearest whole number and no consideration shall be paid for any such fractional Common Share which is not issued.

(3) Each Warrant shall entitle the holder thereof to such other rights and privileges as are set forth in this Indenture.

(4) The number of Common Shares which may be purchased pursuant to the Warrants and the Exercise Price therefor shall be adjusted upon the events and in the manner specified in Section 4.1.

(5) Neither the Corporation nor the Warrant Agent shall have any obligation to deliver Common Shares upon the exercise of any Warrant if the person to whom such shares are to be delivered is a resident of a country or political subdivision thereof in which the Common Shares may not lawfully be issued pursuant to applicable securities legislation. The Corporation or the Warrant Agent may require any person to provide proof of an applicable exemption from such securities legislation to the Corporation and Warrant Agent before Common Shares are delivered pursuant to the exercise of any Warrant.

(6) If at any time prior to the Expiry Date, the daily volume-weighted average trading price of the Common Shares shall exceed $0.35 for the preceding twenty (20) consecutive Trading Days, the Corporation may exercise the Acceleration Right by, within 15 days of such event, delivering an Acceleration Notice to the Warrantholders whereupon the Warrants will expire on the date specified in the Acceleration Notice which shall not be earlier than the 30th calendar day after the date of such Acceleration Notice. An Acceleration Notice shall be delivered to each Warrantholder pursuant to a press release issued by the Corporation and in the manner described in Section 10.2.

Section 2.3 Warrantholder not a Shareholder.

Except as may be specifically provided herein, nothing in this Indenture or in the holding of a Warrant Certificate, entitlement to a Warrant or otherwise, shall, in itself, confer or be construed as conferring upon a Warrantholder any right or interest whatsoever as a Shareholder, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of Shareholders or any other proceedings of the Corporation, or the right to Dividends and other allocations.

Section 2.4 Warrants to Rank Pari Passu.

All Warrants shall rank equally and without preference over each other, whatever may be the actual date of issue thereof.

Section 2.5 Form of Warrants, Certificated Warrants.

(1) The Warrants may be issued in both certificated and uncertificated form. Each Warrant originally issued to a U.S. Purchaser will be evidenced in certificated form only and bear the applicable legends as set forth in Schedule "A" hereto. All Warrants issued in certificated form shall be evidenced by a Warrant Certificate (including all replacements issued in accordance with this Indenture), substantially in the form set out in Schedule "A" hereto, which shall be dated as of the Issue Date, shall bear such distinguishing letters and numbers as the Corporation may, with the approval of the Warrant Agent, prescribe, and shall be issuable in any denomination excluding fractions. All Warrants issued to the Depository may be in either a certificated or uncertificated form, such uncertificated form being evidenced by a book position on the register of Warrantholders to be maintained by the Warrant Agent in accordance with Section 2.6.

(2) Each Warrantholder by purchasing such Warrant acknowledges and agrees that the terms and conditions set forth in the form of the Warrant Certificate set out in Schedule "A" hereto shall apply to all Warrants and Warrantholders regardless of whether such Warrants are issued in certificated or uncertificated form or whether such Warrantholders are Registered Warrantholders or owners of Warrants who beneficially hold security entitlements in respect of the Warrants through a Depository.

Section 2.6 Book Entry Only Warrants.

(1) Reregistration of beneficial interests in and transfers of Warrants held by the Depository shall be made only through the book entry registration system and no Warrant Certificates shall be issued in respect of such Warrants except where physical certificates evidencing ownership in such securities are required or as set out herein or as may be requested by the Depository, as determined by the Corporation, from time to time. Except as provided in this Section 2.6, owners of beneficial interests in any CDS Global Warrants shall not be entitled to have Warrants registered in their names and shall not receive or be entitled to receive Warrants in certificated form or to have their names appear in the register referred to in Section 2.9 herein. Notwithstanding any terms set out herein, Warrants having any legend set forth in Section 2.8 herein and held in the name of the Depository may only be held in the form of Uncertificated Warrants with the prior consent of the Warrant Agent and in accordance with the internal procedures of the Warrant Agent.

(2) Notwithstanding any other provision in this Indenture, no CDS Global Warrants may be exchanged in whole or in part for Warrants registered, and no transfer of any CDS Global Warrants in whole or in part may be registered, in the name of any person other than the Depository for such CDS Global Warrants or a nominee thereof unless:

(a) the Depository notifies the Corporation that it is unwilling or unable to continue to act as depository in connection with the Book Entry Only Warrants and the Corporation is unable to locate a qualified successor;

(b) the Corporation determines that the Depository is no longer willing, able or qualified to discharge properly its responsibilities as holder of the CDS Global Warrants and the Corporation is unable to locate a qualified successor;

(c) the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Corporation is unable to locate a qualified successor;

(d) the Corporation determines that the Warrants shall no longer be held as Book Entry Only Warrants through the Depository;

(e) such right is required by Applicable Law, as determined by the Corporation and the Corporation's Counsel;

(f) the Warrant is to be Authenticated to or for the account or benefit of a U.S. Warrantholder; or

(g) such registration is effected in accordance with the internal procedures of the Depository and the Warrant Agent,

following which, Warrants for those holders requesting the same shall be registered and issued to the beneficial owners of such Warrants or their nominees as directed by the holder. The Corporation shall provide an Officer's Certificate giving notice to the Warrant Agent of the occurrence of any event outlined in this Section 2.6 (2)(a) -(g) .

(3) Subject to the provisions of this Section 2.6, any exchange of CDS Global Warrants for Warrants which are not CDS Global Warrants may be made in whole or in part in accordance with the provisions of Section 2.11, mutatis mutandis. All such Warrants issued in exchange for a CDS Global Warrant or any portion thereof shall be registered in such names as the Depository for such CDS Global Warrants shall direct and shall be entitled to the same benefits and subject to the same terms and conditions (except insofar as they relate specifically to CDS Global Warrants) as the CDS Global Warrants or portion thereof surrendered upon such exchange.

(4) Every Warrant that is Authenticated upon registration or transfer of a CDS Global Warrant, or in exchange for or in lieu of a CDS Global Warrant or any portion thereof, whether pursuant to this Section 2.6, or otherwise, shall be Authenticated in the form of, and shall be, a CDS Global Warrant, unless such Warrant is registered in the name of a person other than the Depository for such CDS Global Warrant or a nominee thereof.

(5) Notwithstanding anything to the contrary in this Indenture, subject to Applicable Legislation, the CDS Global Warrant will be issued as an Uncertificated Warrant, unless otherwise requested in writing by the Depository or the Corporation.

(6) The rights of beneficial owners of Warrants who hold securities entitlements in respect of the Warrants through the book entry registration system shall be limited to those established by applicable law and agreements between the Depository and the Book Entry Only Participants and between such Book Entry Only Participants and the beneficial owners of Warrants who hold securities entitlements in respect of the Warrants through the book entry registration system, and such rights must be exercised through a Book Entry Only Participant in accordance with the rules and procedures of the Depository.

(7) Notwithstanding anything herein to the contrary, neither the Corporation nor the Warrant Agent nor any agent thereof shall have any responsibility or liability for:

(a) the electronic records maintained by the Depository relating to any ownership interests or any other interests in the Warrants or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any person in any Warrant represented by an electronic position in the book entry registration system (other than the Depository or its nominee);

(b) maintaining, supervising or reviewing any records of the Depository or any Book Entry Only Participant relating to any such interest; or

(c) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Book Entry Only Participant.

(8) The Corporation may terminate the application of this Section 2.6 in its sole discretion in which case all Warrants shall be evidenced by Warrant Certificates registered in the name of a Person other than the Depository.

Section 2.7 Warrant Certificate.

(1) For Warrants issued in certificated form, the form of certificate representing Warrants shall be substantially as set out in Schedule "A" hereto or such other form as is authorized from time to time by the Warrant Agent. Each Warrant Certificate shall be Authenticated on behalf of the Warrant Agent. Each Warrant Certificate shall be signed by any two duly authorized signatories of the Corporation; whose signature shall appear on the Warrant Certificate and may be printed, lithographed or otherwise mechanically reproduced thereon and, in such event, certificates so signed are as valid and binding upon the Corporation as if it had been signed manually. Any Warrant Certificate which has two signatures as hereinbefore provided shall be valid notwithstanding that one or more of the persons whose signature is printed, lithographed or mechanically reproduced no longer holds office at the date of issuance of such certificate. The Warrant Certificates may be engraved, printed or lithographed, or partly in one form and partly in another, as the Warrant Agent may determine.

(2) The Warrant Agent shall Authenticate Uncertificated Warrants (whether upon original issuance, exchange, registration of transfer, partial exercise, or otherwise) by completing its Internal Procedures and the Corporation shall, and hereby acknowledges that it shall, thereupon be deemed to have duly and validly issued such Uncertificated Warrants under this Indenture. Such Authentication shall be conclusive evidence that such Uncertificated Warrant has been duly issued hereunder and that the holder or holders are entitled to the benefits of this Indenture. The register shall be final and conclusive evidence as to all matters relating to Uncertificated Warrants with respect to which this Indenture requires the Warrant Agent to maintain records or accounts. In case of differences between the register at any time and any other time the register at the later time shall be controlling, absent manifest error and such Uncertificated Warrants are binding on the Corporation.

(3) Any Warrant Certificate validly issued in accordance with the terms of this Indenture in effect at the time of issue of such Warrant Certificate shall, subject to the terms of this Indenture and applicable law, validly entitle the holder to acquire Common Shares, notwithstanding that the form of such Warrant Certificate may not be in the form currently required by this Indenture.

(4) No Warrant shall be considered issued, valid or obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by the Warrant Agent. Authentication by the Warrant Agent, including by way of entry on the register, shall not be construed as a representation or warranty by the Warrant Agent as to the validity of this Indenture or of such Warrant Certificates or Uncertificated Warrants (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Warrant Agent shall in no respect be liable or answerable for the use made of the Warrants or any of them or of the consideration thereof. Authentication by the Warrant Agent shall be conclusive evidence as against the Corporation that the Warrants so Authenticated have been duly issued hereunder and that the holder thereof is entitled to the benefits of this Indenture.

(5) No Certificated Warrant shall be considered issued and Authenticated or, if Authenticated, shall be obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by signature by or on behalf of the Warrant Agent substantially in the form of the Warrant set out in Schedule "A" hereto. Such Authentication on any such Certificated Warrant shall be conclusive evidence that such Certificated Warrant is duly Authenticated and is valid and a binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture.

(6) No Uncertificated Warrant shall be considered issued and shall be obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by entry on the register of the particulars of the Uncertificated Warrant. Such entry on the register of the particulars of an Uncertificated Warrant shall be conclusive evidence that such Uncertificated Warrant is a valid and binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture.

(7) The Authentication by the Warrant Agent of any Warrants whether by way of entry on the register or otherwise shall not be construed as a representation or warranty by the Warrant Agent as to the validity of the Indenture or such Warrants (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Warrant Agent shall in no respect be liable or answerable for the use made of the Warrants or any of them or the proceeds thereof.

Section 2.8 Legends.

(1) Neither the Warrants nor the Common Shares issuable upon exercise of the Warrants have been or will be registered under the U.S. Securities Act or under any United States state securities laws. Each Warrant Certificate originally issued for the benefit or account of a U.S. Warrantholder and each Warrant Certificate issued in exchange therefor or in substitution thereof shall bear or be deemed to bear the following legends or such variations thereof as the Corporation may prescribe from time to time:

"THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE HOLDING SUCH SECURITIES, AGREES FOR THE BENEFIT OF ALGERNON PHARMACEUTICALS INC. (THE "CORPORATION") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ALL LOCAL LAWS AND REGULATIONS; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 OR (II) RULE 144A THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH 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 CLAUSE (C)(I) OR (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION 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.

THIS WARRANT MAY NOT BE EXERCISED IN THE UNITED STATES OR BY OR FOR THE ACCOUNT OR BENEFIT OF A "U.S. PERSON" OR A PERSON IN THE UNITED STATES UNLESS THE WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE, OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED BY REGULATION S UNDER THE U.S. SECURITIES ACT.";

provided that, if the Warrants are being sold outside the United States in accordance with Rule 904 of Regulation S and in compliance with applicable local laws and regulations, and if the Corporation qualified as a "foreign issuer" (as defined in Rule 902 of Regulation S) at the time of issuance of the Warrants, this legend may be removed by the transferor providing a declaration to the Warrant Agent in the form set forth in Schedule "C" or as the Warrant Agent or the Corporation may prescribe from time to time, and if required by the Warrant Agent, including an opinion of counsel, of recognised standing reasonably satisfactory to the Corporation and the Warrant Agent, that the proposed transfer may be effected without registration under the U.S. Securities Act; and provided, further, that, if any such securities are being sold pursuant to Rule 144 under the U.S. Securities Act, if available, or a transaction that does not require registration under the U.S. Securities Act or applicable state securities laws, the legend may be removed by delivery to the Warrant Agent and the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation and the Warrant Agent, to the effect that such legend is no longer required under applicable requirements of the U.S. Securities Act and applicable state securities laws.

The Warrant Agent shall be entitled to request any other documents that it may require in accordance with its internal policies for the removal of the legend set forth above.

(2) Each CDS Global Warrant originally issued in Canada and held by the Depository, and each CDS Global Warrant issued in exchange therefor or in substitution thereof shall bear or be deemed to bear the following legend or such variations thereof as the Corporation may prescribe from time to time:

> "UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO ALGERNON PHARMACEUTICALS INC. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO, OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE."

(3) Notwithstanding any other provisions of this Indenture, in processing and registering transfers of Warrants, no duty or responsibility whatsoever shall rest upon the Warrant Agent to determine the compliance by any transferor or transferee with the terms of the legend contained in subsections 2.8(1) or 2.8(2), or with the relevant securities laws or regulations, including, without limitation, Regulation S, and the Warrant Agent shall be entitled to assume that all transfers are legal and proper.

Section 2.9 Register of Warrants

(1) The Warrant Agent shall maintain records and accounts concerning the Warrants, whether certificated or uncertificated, which shall contain the information called for below with respect to each Warrant, together with such other information as may be required by law or as the Warrant Agent may elect to record. All such information shall be kept in one set of accounts and records which the Warrant Agent shall designate (in such manner as shall permit it to be so identified as such by an unaffiliated party) as the register of the holders of Warrants. The information to be entered for each account in the register of Warrants at any time shall include (without limitation):

(a) the name and address of the holder of the Warrants, the date of Authentication thereof and the number of Warrants;

(b) whether such Warrant is a Certificated Warrant or an Uncertificated Warrant and, if a Warrant Certificate, the unique number or code assigned to and imprinted thereupon and, if an Uncertificated Warrant, the unique number or code assigned thereto if any;

(c) if any portion thereof has been exercised, the date and price of such exercise and the remaining balance of such Warrants;

(d) whether such Warrant has been cancelled; and

(e) a register of transfers in which all transfers of Warrants and the date and other particulars of each transfer shall be entered.

The register shall be available for inspection by the Corporation and or any Warrantholder during the Warrant Agent's regular business hours on a Business Day and upon payment to the Warrant Agent of its reasonable fees. Any Warrantholder exercising such right of inspection shall first provide an affidavit in form satisfactory to the Corporation and the Warrant Agent stating the name and address of the Warrantholder and agreeing not to use the information therein except in connection with an effort to call a meeting of Warrantholders or to influence the voting of Warrantholders at any meeting of Warrantholders.

(2) Once an Uncertificated Warrant has been Authenticated, the information set forth in the register with respect thereto at the time of Authentication may be altered, modified, amended, supplemented or otherwise changed only to reflect exercise or proper instructions to the Warrant Agent from the holder as provided herein, except that the Warrant Agent may act unilaterally to make purely administrative changes internal to the Warrant Agent and changes to correct errors. Each person who becomes a holder of an Uncertificated Warrant, by his, her or its acquisition thereof shall be deemed to have irrevocably (i) consented to the foregoing authority of the Warrant Agent to make such minor error corrections and (ii) agreed to pay to the Warrant Agent, promptly upon written demand, the full amount of all loss and expense (including without limitation reasonable legal fees of the Corporation and the Warrant Agent plus interest, at an appropriate then prevailing rate of interest to the Warrant Agent), sustained by the Corporation or the Warrant Agent as a proximate result of such error if but only if and only to the extent that such present or former holder realized any benefit as a result of such error and could reasonably have prevented, forestalled or minimized such loss and expense by prompt reporting of the error or avoidance of accepting benefits thereof whether or not such error is or should have been timely detected and corrected by the Warrant Agent; provided, that no person who is a bona fide purchaser shall have any such obligation to the Corporation or to the Warrant Agent.

Section 2.10 Issue in Substitution for Warrant Certificates Lost, etc.

(1) If any Warrant Certificate becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to applicable law, shall issue and thereupon the Warrant Agent shall certify and deliver, a new Warrant Certificate of like tenor, and bearing the same legend, if applicable, as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the substituted Warrant Certificate shall be in a form approved by the Warrant Agent and the Warrants evidenced thereby shall be entitled to the benefits hereof and shall rank equally in accordance with its terms with all other Warrants issued or to be issued hereunder.

(2) The applicant for the issue of a new Warrant Certificate pursuant to this Section 2.10 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issuance thereof, furnish to the Corporation and to the Warrant Agent such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation and to the Warrant Agent, in their sole discretion, and such applicant shall also be required to furnish an indemnity and surety bond in amount and form satisfactory to the Corporation and the Warrant Agent, in their sole discretion, and shall pay the reasonable charges of the Corporation and the Warrant Agent in connection therewith.

Section 2.11 Exchange of Warrant Certificates.

(1) Any one or more Warrant Certificates representing any number of Warrants may, upon compliance with the reasonable requirements of the Warrant Agent (including compliance with applicable securities legislation), be exchanged for one or more other Warrant Certificates representing the same aggregate number of Warrants, and bearing the same legend(s), if applicable, as represented by the Warrant Certificate or Warrant Certificates so exchanged.

(2) Warrant Certificates may be exchanged only at the Warrant Agency or at any other place that is designated by the Corporation with the approval of the Warrant Agent. Any Warrant Certificate from the holder (or such other instructions, in form satisfactory to the Warrant Agent), tendered for exchange shall be surrendered to the Warrant Agency and cancelled by the Warrant Agent.

(3) Warrant Certificates exchanged for Warrant Certificates that bear the legend set forth in Section 2.8(1) shall bear the same legend.

Section 2.12 Transfer and Ownership of Warrants.

(1) The Warrants may only be transferred on the register kept by the Warrant Agent at the Warrant Agency by the holder or its legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Warrant Agent only upon (a) in the case of a Warrant Certificate, surrendering to the Warrant Agent at the Warrant Agency the Warrant Certificates representing the Warrants to be transferred together with a duly executed transfer form as set forth in Schedule "A" and (b) in the case of Book Entry Only Warrants, in accordance with procedures prescribed by the Depository under the book entry registration system, and (c) upon compliance with:

(i) the conditions herein;

(ii) such reasonable requirements as the Warrant Agent may prescribe; and

(iii) all applicable securities legislation and requirements of regulatory authorities;

and such transfer shall be duly noted in such register by the Warrant Agent. Upon compliance with such requirements, the Warrant Agent shall issue to the transferee of a Warrant Certificate, or the Warrant Agent shall Authenticate and deliver a Warrant Certificate upon request that part of the CDS Global Warrant be certificated. Transfers of CDS Global Warrants within the systems of the Depository are not the responsibility of the Warrant Agent and will not be noted on the register maintained by the Warrant Agent.

(2) If a Warrant Certificate tendered for transfer bears the legend set forth in Section 2.8(1), the Warrant Agent shall not register such transfer unless the transferor has provided the Warrant Agent with the Warrant Certificate and (A) the transfer is made to the Corporation, (B) the transfer is made outside of the United States in a transaction meeting the requirements of Rule 904 of Regulation S and in compliance with applicable local laws and regulations, and if the Corporation qualified as a foreign issuer" (as defined in Rule 902 of Regulation S) at the time of issuance of the Warrants, and the transferor delivers to the Warrant Agent a declaration substantially in the form set forth in Schedule "C" to this Warrant Indenture, or in such other form as the Warrant Agent or the Corporation may from time to time prescribe, together with such other evidence of the availability of an exemption (which may, without limitation, include an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation and the Warrant Agent) as the Warrant Agent may reasonably require, (C) the transfer is made pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by (i) Rule 144 thereunder, if available, or (ii) Rule 144A thereunder, if available, and in each case in accordance with any applicable state securities or "blue sky" laws, or (D) the transfer is made in another transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws; provided that it has prior to any transfer pursuant to Sections 2.12(2)(C)(i) or 2.12(2)(D) furnished to the Warrant Agent and the Corporation an opinion of counsel in form and substance reasonably satisfactory to the Corporation and the Warrant Agent, to such effect. In relation to a transfer under (C)(i) or (D) above, unless the Corporation and the Warrant Agent receive an opinion of counsel of recognized standing reasonably satisfactory to the Corporation and Warrant Agent in form and substance to the effect that the U.S. restrictive legend set forth in subsection 2.8(1) is no longer required on the Warrant Certificates representing the transferred Warrants, the Warrant Certificates received by the transferee will continue to bear the legend set forth in Section 2.8(1).

(3) Subject to the provisions of this Indenture, Applicable Legislation and applicable law, the Warrantholder shall be entitled to the rights and privileges attaching to the Warrants, and the issue of Common Shares by the Corporation upon the exercise of Warrants in accordance with the terms and conditions herein contained shall discharge all responsibilities of the Corporation and the Warrant Agent with respect to such Warrants and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder.

Section 2.13 Cancellation of Surrendered Warrants.

All Warrant Certificates surrendered pursuant to Section 2.11(1), Section 2.12(1) or Article 3 shall be cancelled by the Warrant Agent and upon such circumstances all Warrants represented by such surrendered certificates shall be deemed cancelled and so noted on the register by the Warrant Agent. Upon request by the Corporation, the Warrant Agent shall furnish to the Corporation a cancellation certificate identifying the Warrant Certificates so cancelled, the number of Warrants evidenced thereby, the number of Common Shares, if any, issued pursuant to such Warrants and the details of any Warrant Certificates issued in substitution or exchange for such Warrant Certificates cancelled.

ARTICLE 3
EXERCISE OF WARRANTS

Section 3.1 Right of Exercise.

Subject to the provisions hereof, each Registered Warrantholder may exercise the right conferred on such holder to subscribe for and purchase one (1) Common Share for each Warrant after the Issue Date and prior to the Expiry Time, subject to adjustments, and in accordance with the conditions herein.

Section 3.2 Warrant Exercise.

(1) Registered Warrantholders of Warrant Certificates who wish to exercise the Warrants held by them in order to acquire Common Shares must complete the exercise form (the "**Exercise Notice**") attached to the Warrant Certificate(s) which form is attached hereto as Schedule "B", which may be amended by the Corporation with the consent of the Warrant Agent, if such amendment does not, in the reasonable opinion of the Corporation and the Warrant Agent, which may be based on the advice of Counsel, materially and adversely affect the rights, entitlements and interests of the Warrantholders, and deliver such certificate(s), the executed Exercise Notice and a certified cheque, bank draft or money order payable to or to the order of the Corporation for the aggregate Exercise Price to the Warrant Agent at the Warrant Agency. The Warrants represented by a Warrant Certificate shall be deemed to be surrendered upon personal delivery of such certificate, Exercise Notice and aggregate Exercise Price or, if such documents are sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent at the office referred to above.

(2) In addition to completing the Exercise Notice attached to the Warrant Certificate(s), a Warrantholder who is a person in the United States, a U.S. Person, a person exercising for the account or benefit of a U.S. Person or a person in the United States, or a person requesting delivery of the Common Shares issuable upon exercise of the Warrants in the United States, must (a) provide a completed and executed U.S. Warrantholder Letter or (b) an opinion of counsel of recognised standing in form and substance reasonably satisfactory to the Corporation and the Warrant Agent that the exercise is exempt from the registration requirements of the U.S. Securities Act and applicable securities laws of any state of the United States.

(3) A Registered Warrantholder of Uncertificated Warrants evidenced by a security entitlement in respect of Warrants must complete the Exercise Notice and deliver the executed Exercise Notice and a certified cheque, bank draft or money order payable to or to the order of the Corporation for the aggregate Exercise Price to the Warrant Agent at the Warrant Agency. The Uncertificated Warrants shall be deemed to be surrendered upon receipt of the Exercise Notice and aggregate Exercise Price or, if such documents are sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent at the office referred to above.

(4) A beneficial owner of Uncertificated Warrants evidenced by a security entitlement in respect of Warrants in the book entry registration system who desires to exercise his or her Warrants must do so by causing a Book Entry Only Participant to deliver to the Depository on behalf of the entitlement holder, notice of the owner's intention to exercise Warrants in a manner acceptable to the Depository. Forthwith upon receipt by the Depository of such notice, as well as payment for the aggregate Exercise Price, the Depository shall deliver to the Warrant Agent confirmation of its intention to exercise Warrants (a " **Confirmation**") in a manner acceptable to the Warrant Agent, including by electronic means through a book based registration system, including CDSX. An electronic exercise of the Warrants initiated by the Book Entry Only Participant through a book based registration system, including CDSX, shall constitute a representation to both the Corporation and the Warrant Agent that the beneficial owner at the time of exercise of such Warrants (a) is not in the United States; (b) is not a U.S. Person and is not exercising such Warrants for the account or benefit of a U.S. Person or a person in the United States; (c) did not acquire the Warrants in the United States or for the account or benefit of a U.S. Person or a person in the United States; (d) did not receive an offer to exercise the Warrant in the United States; (e) did not execute or deliver the notice of the owner's intention to exercise such Warrants in the United States; and (f) has, in all other respects, complied with the terms of Regulation S in connection with such exercise. If the CDS Participant is not able to make or deliver the foregoing representation by initiating the electronic exercise of the Warrants, then such Warrants shall be withdrawn from the book based registration system, including CDSX by the CDS Participant and an individually registered Warrant Certificate shall be issued by the Warrant Agent to such Beneficial Owner or CDS Participant and the exercise procedures set forth in Section 3.2(1) shall be followed.

(5) Payment representing the aggregate Exercise Price must be provided to the appropriate office of the Book Entry Only Participant in a manner acceptable to it. A notice in form acceptable to the Book Entry Only Participant and payment from such beneficial holder should be provided to the Book Entry Only Participant sufficiently in advance so as to permit the Book Entry Only Participant to deliver notice and payment to the Depository and for the Depository in turn to deliver notice and payment to the Warrant Agent prior to the Expiry Time. The Depository will initiate the exercise by way of the Confirmation and forward the aggregate Exercise Price electronically to the Warrant Agent and the Warrant Agent will execute the exercise by issuing to the Depository through the book entry registration system the Common Shares to which the exercising Warrantholder is entitled pursuant to the exercise. Any expense associated with the exercise process will be for the account of the entitlement holder exercising the Warrants and/or the Book Entry Only Participant exercising the Warrants on its behalf.

(6) By causing a Book Entry Only Participant to deliver notice to the Depository, a Warrantholder shall be deemed to have irrevocably surrendered his or her Warrants so exercised and appointed such Book Entry Only Participant to act as his or her exclusive settlement agent with respect to the exercise and the receipt of Common Shares in connection with the obligations arising from such exercise.

(7) Any notice which the Depository determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the exercise to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a Book Entry Only Participant to exercise or to give effect to the settlement thereof in accordance with the Warrantholder's instructions will not give rise to any obligations or liability on the part of the Corporation or Warrant Agent to the Book Entry Only Participant or the Warrantholder.

(8) Any exercise form or Exercise Notice referred to in this Section 3.2 shall be signed by the Registered Warrantholder, or its executors or administrators or other legal representatives or an attorney of the Registered Warrantholder, duly appointed by an instrument in writing satisfactory to the Warrant Agent but such exercise form need not be executed by the Depository.

(9) Any exercise referred to in this Section 3.2 shall require that the entire Exercise Price for Common Shares subscribed must be paid at the time of subscription and such Exercise Price and original Exercise Notice executed by the Registered Warrantholder or the Confirmation from the Depository must be received by the Warrant Agent prior to the Expiry Time.

(10) Warrants may only be exercised pursuant to this Section 3.2 by or on behalf of a Registered Warrantholder (other than the Depository), as applicable, who makes the certifications set forth on the Exercise Notice set out in Schedule "B" or as provided herein.

(11) If the form of Exercise Notice set forth in the Warrant Certificate shall have been amended, the Corporation shall cause the amended Exercise Notice to be forwarded to all Registered Warrantholders.

(12) Exercise Notices and Confirmations must be delivered to the Warrant Agent at any time during the Warrant Agent's actual business hours on any Business Day prior to the Expiry Time. Any Exercise Notice or Confirmations received by the Warrant Agent after business hours on any Business Day other than the Expiry Date will be deemed to have been received by the Warrant Agent on the next following Business Day.

(13) Any Warrant with respect to which a Confirmation is not received by the Warrant Agent before the Expiry Time shall be deemed to have expired and become void and all rights with respect to such Warrants shall terminate and be cancelled.

Section 3.3 U.S. Prohibition on Exercise; Legended Certificates

(1) The Warrants and the Common Shares issuable upon exercise thereof have not been and will not be registered under the U.S. Securities Act or any state securities laws, and the Warrants may not be exercised by, or for the account or benefit of, a U.S. Person or a person in the United States unless an exemption from such registration requirements is available.

(2) Warrants may not be exercised except in compliance with the requirements set forth herein, in the Warrant Certificate and in the Exercise Notice attached thereto.

(3) Certificates representing Common Shares issued upon the exercise of Warrants which bear the legend set forth in 2.8(1) and other than pursuant to Box A of the Exercise Form attached as Schedule "B" hereto, shall upon such issuance bear the following legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE HOLDING SUCH SECURITIES, AGREES FOR THE BENEFIT OF ALGERNON PHARMACEUTICALS INC. (THE "CORPORATION") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ALL LOCAL LAWS AND REGULATIONS; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 OR (II) RULE 144A THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH 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 CLAUSE (C)(I) OR (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION 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."

Section 3.4 Transfer Fees and Taxes.

If any of the Common Shares subscribed for are to be issued to a person or persons other than the Registered Warrantholder, the Registered Warrantholder shall execute the form of transfer and will comply with such reasonable requirements as the Warrant Agent may stipulate and will pay to the Corporation or the Warrant Agent on behalf of the Corporation, all applicable transfer or similar taxes and the Corporation will not be required to issue or deliver certificates evidencing Common Shares unless or until such Warrantholder shall have paid to the Corporation or the Warrant Agent on behalf of the Corporation, the amount of such tax or shall have established to the satisfaction of the Corporation and the Warrant Agent that such tax has been paid or that no tax is due.

Section 3.5 Warrant Agency.

To facilitate the exchange, transfer or exercise of Warrants and compliance with such other terms and conditions hereof as may be required, the Corporation has appointed the Warrant Agency, as the agency at which Warrants may be surrendered for exchange or transfer or at which Warrants may be exercised and the Warrant Agent has accepted such appointment. The Corporation may from time to time designate alternate or additional places as the Warrant Agency (subject to the Warrant Agent's prior approval) and will give notice to the Warrant Agent of any proposed change of the Warrant Agency. Branch registers shall also be kept at such other place or places, if any, as the Corporation, with the approval of the Warrant Agent, may designate. The Warrant Agent will from time to time when requested to do so by the Corporation or any Registered Warrantholder, upon payment of the Warrant Agent's reasonable charges, furnish a list of the names and addresses of Registered Warrantholders showing the number of Warrants held by each such Registered Warrantholder.

Section 3.6 Effect of Exercise of Warrant Certificates.

(1) Upon the exercise of Warrants pursuant to and in compliance with Section 3.2 and subject to Section 3.3 and Section 3.4, the Common Shares to be issued pursuant to the Warrants exercised shall be deemed to have been issued and the person or persons to whom such Common Shares are to be issued shall be deemed to have become the holder or holders of such Common Shares within three Business Days of the Exercise Date unless the Common Share register shall be closed on such date, in which case the Common Shares subscribed for shall be deemed to have been issued and such person or persons deemed to have become the holder or holders of record of such Common Shares, on the date on which such register is reopened. It is hereby understood that in order for persons to whom Common Shares are to be issued, to become holders of Common Shares on record on the Exercise Date, beneficial holders must commence the exercise process sufficiently in advance so that the Warrant Agent is in receipt of all items of exercise at least one Business Day prior to such Exercise Date.

(2) Within three Business Days after the Exercise Date with respect to a Warrant, the Warrant Agent shall cause to be delivered or mailed to the person or persons in whose name or names the Warrant is registered or, if so specified in writing by the holder, cause to be delivered to such person or persons at the Warrant Agency where the Warrant Certificate was surrendered, a certificate or certificates for the appropriate number of Common Shares subscribed for, or any other appropriate evidence of the issuance of Common Shares to such person or persons in respect of Common Shares issued under the book entry registration system.

Section 3.7 Partial Exercise of Warrants; Fractions.

(1) The holder of any Warrants may exercise his right to acquire a number of whole Common Shares less than the aggregate number which the holder is entitled to acquire. In the event of any exercise of a number of Warrants less than the number which the holder is entitled to exercise, the holder of Warrants upon such exercise shall, in addition, be entitled to receive, without charge therefor, a new Warrant Certificate(s), bearing the same legend, if applicable, or other appropriate evidence of Warrants, in respect of the balance of the Warrants held by such holder and which were not then exercised.

(2) Notwithstanding anything herein contained including any adjustment provided for in Section 4.1, the Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares. Warrants may only be exercised in a sufficient number to acquire whole numbers of Common Shares.

Section 3.8 Expiration of Warrants.

Immediately after the Expiry Time, all rights under any Warrant in respect of which the right of acquisition provided for herein shall not have been exercised shall cease and terminate and each Warrant shall be void and of no further force or effect.

Section 3.9 Accounting and Recording.

(1) The Warrant Agent shall promptly account to the Corporation with respect to Warrants exercised, and shall promptly forward to the Corporation (or into an account or accounts of the Corporation with the bank or trust company designated by the Corporation for that purpose), all monies received by the Warrant Agent on the subscription of Common Shares through the exercise of Warrants. All such monies and any securities or other instruments, from time to time received by the Warrant Agent, shall be received in trust for, and shall be segregated and kept apart by the Warrant Agent for the benefit of the Warrantholders and the Corporation as their interests may appear.

(2) The Warrant Agent shall record the particulars of Warrants exercised, which particulars shall include the names and addresses of the persons who become holders of Common Shares on exercise and the Exercise Date, in respect thereof. The Warrant Agent shall provide such particulars in writing to the Corporation within five Business Days of any request by the Corporation therefor.

Section 3.10 Securities Restrictions.

Notwithstanding anything herein contained, Common Shares will be issued upon exercise of a Warrant only in compliance with the securities laws of any applicable jurisdiction.

ARTICLE 4
ADJUSTMENT OF NUMBER OF COMMON SHARES AND EXERCISE PRICE

Section 4.1 Adjustment of Number of Common Shares and Exercise Price.

The subscription rights in effect under the Warrants for Common Shares issuable upon the exercise of the Warrants shall be subject to adjustment from time to time as follows:

(a) if, at any time during the Adjustment Period, the Corporation shall:

(i) subdivide, re-divide or change its outstanding Common Shares into a greater number of Common Shares;

(ii) reduce, combine or consolidate its outstanding Common Shares into a lesser number of Common Shares; or

(iii) issue Common Shares or securities exchangeable for, or convertible into, Common Shares to all or substantially all of the holders of Common Shares by way of stock dividend or other distribution (other than a distribution of Common Shares upon the exercise of Warrants or any outstanding options);

(any of such events in Section 4.1(a) (i), (ii) or (iii) being called a "**Common Share Reorganization**") then the Exercise Price shall be adjusted as of the effect on the effective date or record date of such subdivision, re-division, change, reduction, combination, consolidation or distribution, as the case may be, shall in the case of the events referred to in (i) or (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, re-division, change or distribution, or shall, in the case of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation by multiplying the Exercise Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such effective date or record date before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding as of the effective date or record date after giving effect to such Common Shares Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Share that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date or effective date). Such adjustment shall be made successively whenever any event referred to in this Section 4.1(a) shall occur. Upon any adjustment of the Exercise Price pursuant to Section 4.1(a), the Exchange Rate shall be contemporaneously adjusted by multiplying the number of Common Shares theretofore obtainable on the exercise thereof by a fraction of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment;

(b) if and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common Shares) at a price per Common Share (or having a conversion or exchange price per Common Share) less than 95% of the Current Market Price on such record date (a "**Rights Offering**"), the Exercise Price shall be adjusted immediately after such record date so that it shall equal the amount determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by the Current Market Price, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase or into which the convertible or exchangeable securities so offered are convertible or exchangeable; any Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that no such rights or warrants are exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or, if any such rights or warrants are exercised, to the Exercise Price which would then be in effect based upon the number of Common Shares (or securities convertible or exchangeable into Common Shares) actually issued upon the exercise of such rights or warrants, as the case may be. Upon any adjustment of the Exercise Price pursuant to this Section 4.1(b), the Exchange Rate will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exchange Rate in effect on such record date by a fraction, of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment. Such adjustment will be made successively whenever such a record date is fixed, provided that if two or more such record dates or record dates referred to in this Section 4.1(b) are fixed within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates;

(c) if and whenever at any time during the Adjustment Period the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) securities of any class, whether of the Corporation or any other trust (other than Common Shares), (ii) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), other than pursuant to a Rights Offering; (iii) evidences of its indebtedness or (iv) any property or other assets then, in each such case, the Exercise Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price on such record date, less the excess, if any, of the fair market value on such record date, as determined by the Corporation (whose determination shall be conclusive), of such securities or other assets so issued or distributed over the fair market value of any consideration received therefor by the Corporation from the holders of the Common Shares, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price; and Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that such distribution is not so made, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed. Upon any adjustment of the Exercise Price pursuant to this Section 4.1(c), the Exchange Rate will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exchange Rate in effect on such record date by a fraction, of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment;

(d) if and whenever at any time during the Adjustment Period, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 4.1(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other body corporate, trust, partnership or other entity, or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity, any Registered Warrantholder who has not exercised its right of acquisition prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance, upon the exercise of such right thereafter, shall be entitled to receive upon payment of the Exercise Price and shall accept, in lieu of the number of Common Shares that prior to such effective date the Registered Warrantholder would have been entitled to receive, the number of shares or other securities or property of the Corporation or of the body corporate, trust, partnership or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made, as the case may be, that such Registered Warrantholder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance, if, on the effective date thereof, as the case may be, the Registered Warrantholder had been the registered holder of the number of Common Shares to which prior to such effective date it was entitled to acquire upon the exercise of the Warrants. If determined appropriate by the Warrant Agent, relying on advice of Counsel, to give effect to or to evidence the provisions of this Section 4.1(d), the Corporation, its successor, or such purchasing body corporate, partnership, trust or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Registered Warrantholders to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares, other securities or property to which a Registered Warrantholder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Warrant Agent pursuant to the provisions of this Section 4.1(d) shall be a supplemental indenture entered into pursuant to the provisions of Article 8 hereof. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing body corporate, partnership, trust or other entity and the Warrant Agent shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.1 and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances;

(e) in any case in which this Section 4.1 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Registered Warrantholder of any Warrant exercised after the record date and prior to completion of such event the additional Common Shares issuable by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such Registered Warrantholder an appropriate instrument evidencing such Registered Warrantholder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the relevant date of exercise or such later date as such Registered Warrantholder would, but for the provisions of this Section 4.1(e), have become the holder of record of such additional Common Shares pursuant to Section 4.1;

(f) in any case in which Section 4.1(a)(iii), Section 4.1(b) or Section 4.1(c) require that an adjustment be made to the Exercise Price, no such adjustment shall be made if the Registered Warrantholders of the outstanding Warrants receive, subject to any required stock exchange or regulatory approval, the rights or warrants referred to in Section 4.1(a)(iii), Section 4.1(b) or the shares, rights, options, warrants, evidences of indebtedness or assets referred to in Section 4.1(c), as the case may be, in such kind and number as they would have received if they had been holders of Common Shares on the applicable record date or effective date, as the case may be, by virtue of their outstanding Warrant having then been exercised into Common Shares at the Exercise Price in effect on the applicable record date or effective date, as the case may be;

(g) the adjustments provided for in this Section 4.1 are cumulative, and shall, in the case of adjustments to the Exercise Price be computed to the nearest whole cent and shall apply to successive subdivisions, re-divisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section 4.1, provided that, notwithstanding any other provision of this Section, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price then in effect; provided, however, that any adjustments which by reason of this Section 4.1(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and

(h) after any adjustment pursuant to this Section 4.1, the term "**Common Shares**" where used in this Indenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, the Registered Warrantholder is entitled to receive upon the exercise of his Warrant, and the number of Common Shares indicated by any exercise made pursuant to a Warrant shall be interpreted to mean the number of Common Shares or other property or securities a Registered Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, upon the full exercise of a Warrant.

Section 4.2 Entitlement to Common Shares on Exercise of Warrant.

All Common Shares or shares of any class or other securities, which a Registered Warrantholder is at the time in question entitled to receive on the exercise of its Warrant, whether or not as a result of adjustments made pursuant to this Article 4, shall, for the purposes of the interpretation of this Indenture, be deemed to be Common Shares which such Registered Warrantholder is entitled to acquire pursuant to such Warrant.

Section 4.3 No Adjustment for Certain Transactions.

Notwithstanding anything in this Article 4, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares is being made pursuant to this Indenture or in connection with (a) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Corporation; or (b) the satisfaction of existing instruments issued at the date hereof.

Section 4.4 Determination by Independent Firm.

In the event of any question arising with respect to the adjustments provided for in this Article 4 such question shall be conclusively determined by an independent firm of chartered accountants other than the Auditors, who shall have access to all necessary records of the Corporation, and such determination shall be binding upon the Corporation, the Warrant Agent, all holders and all other persons interested therein.

Section 4.5 Proceedings Prior to any Action Requiring Adjustment.

As a condition precedent to the taking of any action which would require an adjustment in any of the acquisition rights pursuant to any of the Warrants, including the number of Common Shares which are to be received upon the exercise thereof, the Corporation shall take any action which may, in the opinion of Counsel, be necessary in order that the Corporation has unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the Common Shares which the holders of such Warrants are entitled to receive on the full exercise thereof in accordance with the provisions hereof.

Section 4.6 Certificate of Adjustment.

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.1, deliver a certificate of the Corporation to the Warrant Agent specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate shall be supported by a certificate of the Corporation's Auditors verifying such calculation. The Warrant Agent shall rely, and shall be protected in so doing, upon the certificate of the Corporation or of the Corporation's Auditor and any other document filed by the Corporation pursuant to this Article 4 for all purposes.

Section 4.7 Notice of Special Matters.

The Corporation covenants with the Warrant Agent that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the Registered Warrantholders of its intention to fix a record date that is prior to the Expiry Date for any matter for which an adjustment may be required pursuant to Section 4.1 Such notice shall specify the particulars of such event and the record date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The notice shall be given in each case not less than 14 days prior to such applicable record date. If notice has been given and the adjustment is not then determinable, the Corporation shall promptly, after the adjustment is determinable, file with the Warrant Agent a computation of the adjustment and give notice to the Registered Warrantholders of such adjustment computation.

Section 4.8 No Action after Notice.

The Corporation covenants with the Warrant Agent that it will not close its transfer books or take any other corporate action which might deprive the Registered Warrantholder of the opportunity to exercise its right of acquisition pursuant thereto during the period of 14 days after the giving of the certificate or notices set forth in Section 4.6 and Section 4.7.

Section 4.9 Other Action.

If the Corporation, after the date hereof, shall take any action affecting the Common Shares other than action described in Section 4.1, which in the reasonable opinion of the directors of the Corporation would materially affect the rights of Registered Warrantholders, the Exercise Price and/or Exchange Rate, the number of Common Shares which may be acquired upon exercise of the Warrants shall be adjusted in such manner and at such time, by action of the directors, acting reasonably and in good faith, in their sole discretion as they may determine to be equitable to the Registered Warrantholders in the circumstances, provided that no such adjustment will be made unless any requisite prior approval of any stock exchange on which the Common Shares are listed for trading has been obtained.

Section 4.10 Protection of Warrant Agent.

The Warrant Agent shall not:

(a) at any time be under any duty or responsibility to any Registered Warrantholder to determine whether any facts exist which may require any adjustment contemplated by Section 4.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Warrant;

(c) be responsible for any failure of the Corporation to issue, transfer or deliver Common Shares or certificates for the same upon the surrender of any Warrants for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Article; and

(d) incur any liability or be in any way responsible for the consequences of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained or of any acts of the directors, officers, employees, agents or servants of the Corporation.

Section 4.11 Participation by Warrantholder.

No adjustments shall be made pursuant to this Article 4 if the Registered Warrantholders are entitled to participate in any event described in this Article 4 on the same terms, mutatis mutandis, as if the Registered Warrantholders had exercised their Warrants prior to, or on the effective date or record date of, such event.

ARTICLE 5
RIGHTS OF THE CORPORATION AND COVENANTS

Section 5.1 Optional Purchases by the Corporation.

Subject to compliance with applicable securities legislation and approval of applicable regulatory authorities, if any, the Corporation may from time to time purchase by private contract or otherwise any of the Warrants. Any such purchase shall be made at the lowest price or prices at which, in the opinion of the directors, such Warrants are then obtainable, plus reasonable costs of purchase, and may be made in such manner, from such persons and on such other terms as the Corporation, in its sole discretion, may determine. In the case of Certificated Warrants, Warrant Certificates representing the Warrants purchased pursuant to this Section 5.1 shall forthwith be delivered to and cancelled by the Warrant Agent and reflected accordingly on the register of Warrants. In the case of Uncertificated Warrants, the Warrants purchased pursuant to this Section 5.1 shall be reflected accordingly on the register of Warrants and in accordance with procedures prescribed by the Depository under the book entry registration system. No Warrants shall be issued in replacement thereof.

Section 5.2 General Covenants.

The Corporation covenants with the Warrant Agent that so long as any Warrants remain outstanding:

(a) it will reserve and keep available a sufficient number of Common Shares for the purpose of enabling it to satisfy its obligations to issue Common Shares upon the exercise of the Warrants;

(b) it will cause the Common Shares from time to time acquired pursuant to the exercise of the Warrants to be duly issued and delivered in accordance with the Warrants and the terms hereof;

(c) upon payment of the aggregate Exercise Price therefor, all Common Shares which shall be issued upon exercise of the right to acquire provided for herein shall be fully paid and non-assessable;

(d) it will use reasonable commercial efforts to maintain its existence and carry on its business in the ordinary course;

(e) it will use reasonable commercial efforts to ensure that all Common Shares outstanding or issuable from time to time (including without limitation the Common Shares issuable on the exercise of the Warrants) continue to be or are listed and posted for trading on the CSE for a period of 24 months following the Issue Date, provided that this clause shall not be construed as limiting or restricting the Corporation from completing a consolidation, amalgamation, arrangement, takeover bid, merger or like transaction that would result in the Common Shares ceasing to be listed and posted for trading on the CSE, so long as the holders of Common Shares receive securities of an entity which is listed on a stock exchange in Canada, or cash, or the holders of the Common shares have approved the transaction in accordance with the requirements of applicable corporate and securities laws and the policies of the CSE;

(f) it will make all requisite filings under applicable Canadian securities legislation including those necessary to remain a reporting issuer not in default in each of the provinces and other Canadian jurisdictions where it is or becomes a reporting issuer for a period of 24 months after the Issue Date;

(g) generally, it will well and truly perform and carry out all of the acts or things to be done by it as provided in this Indenture; and

(h) the Corporation will promptly notify the Warrant Agent and the Warrantholders in writing of any default under the terms of this Warrant Indenture which remains unrectified for more than five days following its occurrence.

Section 5.3 Warrant Agent's Remuneration and Expenses.

The Corporation covenants that it will pay to the Warrant Agent from time to time reasonable remuneration for its services hereunder and will pay or reimburse the Warrant Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Warrant Agent in the administration or execution of the trusts hereby created (including the reasonable compensation and the disbursements of its Counsel and all other advisers and assistants not regularly in its employ) both before any default hereunder and thereafter until all duties of the Warrant Agent hereunder shall be finally and fully performed, except any such expense, disbursement or advance as may arise out of or result from the Warrant Agent's gross negligence, willful misconduct or bad faith. Any amount owing hereunder and remaining unpaid after 30 days from the invoice date will bear interest at the then current rate charged by the Warrant Agent against unpaid invoices and shall be payable upon demand. This Section shall survive the resignation or removal of the Warrant Agent and/or the termination of this Indenture.

Section 5.4 Performance of Covenants by Warrant Agent.

If the Corporation shall fail to perform any of its covenants contained in this Indenture, then the Corporation will notify the Warrant Agent in writing of such failure and upon receipt by the Warrant Agent of such notice, the Warrant Agent may notify the Registered Warrantholders of such failure on the part of the Corporation and may itself perform any of the covenants capable of being performed by it but, subject to Section 9.2, shall be under no obligation to perform said covenants or to notify the Registered Warrantholders of such performance by it. All sums expended or advanced by the Warrant Agent in so doing shall be repayable as provided in Section 5.3. No such performance, expenditure or advance by the Warrant Agent shall relieve the Corporation of any default hereunder or of its continuing obligations under the covenants herein contained.

Section 5.5 Enforceability of Warrants.

The Corporation covenants and agrees that it is duly authorized to create and issue the Warrants to be issued hereunder and that the Warrants, when issued and Authenticated as herein provided, will be valid and enforceable against the Corporation in accordance with the provisions hereof and the terms hereof and that, subject to the provisions of this Indenture, the Corporation will cause the Common Shares from time to time acquired upon exercise of Warrants issued under this Indenture to be duly issued and delivered in accordance with the terms of this Indenture.

ARTICLE 6
ENFORCEMENT

Section 6.1 Suits by Registered Warrantholders.

All or any of the rights conferred upon any Registered Warrantholder by any of the terms of this Indenture may be enforced by the Registered Warrantholder by appropriate proceedings but without prejudice to the right which is hereby conferred upon the Warrant Agent to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Registered Warrantholders.

Section 6.2 Suits by the Corporation.

The Corporation shall have the right to enforce full payment of the Exercise Price of all Common Shares issued by the Warrant Agent to a Registered Warrantholder hereunder and shall be entitled to demand such payment from the Registered Warrantholder or alternatively to instruct the Warrant Agent to cancel the share certificates and amend the securities register accordingly.

Section 6.3 Immunity of Shareholders, etc.

The Warrant Agent and the Warrantholders hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any incorporator or any past, present or future shareholder, trustee, employee or agent of the Corporation or any successor entity on any covenant, agreement, representation or warranty by the Corporation herein.

Section 6.4 Waiver of Default.

Upon the happening of any default hereunder:

(a) the Registered Warrantholders of not less than 51% of the Warrants then outstanding shall have power (in addition to the powers exercisable by Extraordinary Resolution) by requisition in writing to instruct the Warrant Agent to waive any default hereunder and the Warrant Agent shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or

(b) the Warrant Agent shall have power to waive any default hereunder upon such terms and conditions as the Warrant Agent may deem advisable, on the advice of Counsel, if, in the Warrant Agent's opinion, based on the advice of Counsel, the same shall have been cured or adequate provision made therefor;

provided that no delay or omission of the Warrant Agent or of the Registered Warrantholders to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Warrant Agent or of the Registered Warrantholders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder of the rights resulting therefrom.

ARTICLE 7
MEETINGS OF REGISTERED WARRANTHOLDERS

Section 7.1 Right to Convene Meetings.

The Warrant Agent may at any time and from time to time, and shall on receipt of a written request of the Corporation or of a Warrantholders' Request and upon being indemnified and funded to its reasonable satisfaction by the Corporation or by the Registered Warrantholders signing such Warrantholders' Request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Registered Warrantholders. If the Warrant Agent fails to so call a meeting within seven days after receipt of such written request of the Corporation or such Warrantholders' Request and the indemnity and funding given as aforesaid, the Corporation or such Registered Warrantholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Vancouver, British Columbia or at such other place as may be approved or determined by the Warrant Agent.

Section 7.2 Notice.

At least 21 days' prior written notice of any meeting of Registered Warrantholders shall be given to the Registered Warrantholders in the manner provided for in Section 10.2 and a copy of such notice shall be sent by mail to the Warrant Agent (unless the meeting has been called by the Warrant Agent) and to the Corporation (unless the meeting has been called by the Corporation). Such notice shall state the time when and the place where the meeting is to be held, shall state briefly the general nature of the business to be transacted thereat and shall contain such information as is reasonably necessary to enable the Registered Warrantholders to make a reasoned decision on the matter, but it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Section 7.2.

Section 7.3 Chairman.

An individual (who need not be a Registered Warrantholder) designated in writing by the Warrant Agent shall be chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within fifteen minutes from the time fixed for the holding of the meeting, the Registered Warrantholders present in person or by proxy shall choose an individual present to be chairman.

Section 7.4 Quorum.

Subject to the provisions of Section 7.11, at any meeting of the Registered Warrantholders a quorum shall consist of Registered Warrantholder(s) present in person or by proxy and entitled to purchase at least 50% of the aggregate number of Common Shares which could be acquired pursuant to all the then outstanding Warrants. If a quorum of the Registered Warrantholders shall not be present within thirty minutes from the time fixed for holding any meeting, the meeting, if summoned by Registered Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day, in which case it shall be adjourned to the next following Business Day) at the same time and place and no notice of the adjournment need be given. Any business may be brought before or dealt with at an adjourned meeting which might have been dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless a quorum be present at the commencement of business. At the adjourned meeting the Registered Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not be entitled to acquire at least 50% of the aggregate number of Common Shares which may be acquired pursuant to all then outstanding Warrants.

Section 7.5 Power to Adjourn.

The chairman of any meeting at which a quorum of the Registered Warrantholders is present (other than a meeting that is called as a result of a Warrantholders' Request) may, with the consent of the meeting, adjourn any such meeting, and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

Section 7.6 Show of Hands.

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands except that votes on an Extraordinary Resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

Section 7.7 Poll and Voting.

(1) On every Extraordinary Resolution, and on any other question submitted to a meeting and after a vote by show of hands when demanded by the chairman or by one or more of the Registered Warrantholders acting in person or by proxy and entitled to acquire in the aggregate at least 5% of the aggregate number of Common Shares which could be acquired pursuant to all the Warrants then outstanding, a poll shall be taken in such manner as the chairman shall direct. Questions other than those required to be determined by Extraordinary Resolution shall be decided by a majority of the votes cast on the poll.

(2) On a show of hands, every person who is present and entitled to vote, whether as a Registered Warrantholder or as proxy for one or more absent Registered Warrantholders, or both, shall have one vote. On a poll, each Registered Warrantholder present in person or represented by a proxy duly appointed by instrument in writing shall be entitled to one vote in respect of each Warrant then held or represented by it. A proxy need not be a Registered Warrantholder. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Warrants, if any, held or represented by him.

Section 7.8 Regulations.

(1) The Warrant Agent, or the Corporation with the approval of the Warrant Agent, may from time to time make and from time to time vary such regulations as it shall think fit for the setting of the record date for a meeting for the purpose of determining Registered Warrantholders entitled to receive notice of and to vote at the meeting.

(2) Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as a Registered Warrantholder, or be entitled to vote or be present at the meeting in respect thereof (subject to Section 7.9), shall be Registered Warrantholders or proxies of Registered Warrantholders.

Section 7.9 Corporation and Warrant Agent May be Represented.

The Corporation and the Warrant Agent, by their respective directors, officers, agents, and employees and the Counsel for the Corporation and for the Warrant Agent may attend any meeting of the Registered Warrantholders.

Section 7.10 Powers Exercisable by Extraordinary Resolution.

In addition to all other powers conferred upon them by any other provisions of this Indenture or by law, the Registered Warrantholders at a meeting shall, subject to the provisions of Section 7.11, have the power exercisable from time to time by Extraordinary Resolution:

(a) to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Registered Warrantholders or the Warrant Agent in its capacity as warrant agent hereunder (subject to the Warrant Agent's prior consent, acting reasonably) or on behalf of the Registered Warrantholders against the Corporation whether such rights arise under this Indenture or otherwise;

(b) to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Registered Warrantholders;

(c) to direct or to authorize the Warrant Agent, subject to Section 9.2(2) hereof, to enforce any of the covenants on the part of the Corporation contained in this Indenture or to enforce any of the rights of the Registered Warrantholders in any manner specified in such Extraordinary Resolution or to refrain from enforcing any such covenant or right;

(d) to waive, and to direct the Warrant Agent to waive, any default on the part of the Corporation in complying with any provisions of this Indenture either unconditionally or upon any conditions specified in such Extraordinary Resolution;

(e) to restrain any Registered Warrantholder from taking or instituting any suit, action or proceeding against the Corporation for the enforcement of any of the covenants on the part of the Corporation in this Indenture or to enforce any of the rights of the Registered Warrantholders;

(f) to direct any Registered Warrantholder who, as such, has brought any suit, action or proceeding to stay or to discontinue or otherwise to deal with the same upon payment of the costs, charges and expenses reasonably and properly incurred by such Registered Warrantholder in connection therewith;

(g) to assent to any change in or omission from the provisions contained in this Indenture or any ancillary or supplemental instrument which may be agreed to by the Corporation, and to authorize the Warrant Agent to concur in and execute any ancillary or supplemental indenture embodying the change or omission;

(h) with the consent of the Corporation, such consent not to be unreasonably withheld, to remove the Warrant Agent or its successor in office and to appoint a new warrant agent or warrant agents to take the place of the Warrant Agent so removed; and

(i) to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation.

Section 7.11 Meaning of Extraordinary Resolution.

(1) The expression "**Extraordinary Resolution**" when used in this Indenture means, subject as hereinafter provided in this Section 7.11 and in Section 7.14, a resolution (i) proposed at a meeting of Registered Warrantholders duly convened for that purpose and held in accordance with the provisions of this Article 7 at which there are present in person or by proxy Registered Warrantholders holding at least 25% of the aggregate number of Common Shares that could be acquired and passed by the affirmative votes of Registered Warrantholders holding not less than 66 2/3% of the aggregate number of Common Shares that could be acquired at the meeting and voted on the poll upon such resolution; or (ii) in writing signed by the holders of at least 66 2/3% of the then outstanding Warrants on any matter that would otherwise be voted upon at a meeting called to approve such resolution as contemplated in Section 7.11(1)(i).

(2) If, at the meeting at which an Extraordinary Resolution is to be considered, Registered Warrantholders holding at least 25% of the aggregate number of Common Shares that could be acquired are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by Registered Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case it shall stand adjourned to such day, being not less than 15 or more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 14 days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided for in Section 10.2. Such notice shall state that at the adjourned meeting the Registered Warrantholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Registered Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in Section 7.11(1) shall be an Extraordinary Resolution within the meaning of this Indenture notwithstanding that Registered Warrantholders entitled to acquire at least 25% of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Warrants are not present in person or by proxy at such adjourned meeting.

(3) Subject to Section 7.14, votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

Section 7.12 Powers Cumulative.

Any one or more of the powers or any combination of the powers in this Indenture stated to be exercisable by the Registered Warrantholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the right of the Registered Warrantholders to exercise such power or powers or combination of powers then or thereafter from time to time.

Section 7.13 Minutes.

Minutes of all resolutions and proceedings at every meeting of Registered Warrantholders shall be made and duly entered in books to be provided from time to time for that purpose by the Warrant Agent at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman or the secretary of the meeting at which such resolutions were passed or proceedings had shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly convened and held, and all resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

Section 7.14 Instruments in Writing.

All actions which may be taken and all powers that may be exercised by the Registered Warrantholders at a meeting held as provided in this Article 7 may also be taken and exercised by Registered Warrantholders holding not less than 66 2/3% of the aggregate number of all of the then outstanding Warrants by an instrument in writing signed in one or more counterparts by such Registered Warrantholders in person or by attorney duly appointed in writing, and the expression "**Extraordinary Resolution**" when used in this Indenture shall include an instrument so signed.

Section 7.15 Binding Effect of Resolutions.

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 7 at a meeting of Registered Warrantholders shall be binding upon all the Warrantholders, whether present at or absent from such meeting, and every instrument in writing signed by Registered Warrantholders in accordance with Section 7.14 shall be binding upon all the Warrantholders, whether signatories thereto or not, and each and every Warrantholder and the Warrant Agent (subject to the provisions for indemnity herein contained) shall be bound to give effect accordingly to every such resolution and instrument in writing.

Section 7.16 Holdings by Corporation Disregarded.

In determining whether Registered Warrantholders holding Warrants evidencing the entitlement to acquire the required number of Common Shares are present at a meeting of Registered Warrantholders for the purpose of determining a quorum or have concurred in any consent, waiver, Extraordinary Resolution, Warrantholders' Request or other action under this Indenture, Warrants owned legally or beneficially by the Corporation shall be disregarded in accordance with the provisions of Section 10.7.

ARTICLE 8
SUPPLEMENTAL INDENTURES

Section 8.1 Provision for Supplemental Indentures for Certain Purposes.

From time to time, the Corporation (when authorized by action of the directors) and the Warrant Agent may, subject to the provisions hereof and they shall, when so directed in accordance with the provisions hereof, execute and deliver by their proper officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

(a) setting forth any adjustments resulting from the application of the provisions of Article 4;

(b) adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of Counsel, are necessary or advisable in the premises, provided that the same are not in the opinion of the Warrant Agent, relying on the advice of Counsel, prejudicial to the interests of the Registered Warrantholders;

(c) giving effect to any Extraordinary Resolution passed as provided in Section 7.11;

(d) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining a listing or quotation of the Warrants on any stock exchange, provided that such provisions are not, in the opinion of the Warrant Agent, relying on the advice of Counsel, prejudicial to the interests of the Registered Warrantholders;

(e) adding to or altering the provisions hereof in respect of the transfer of Warrants, making provision for the exchange of Warrants, and making any modification in the form of the Warrant Certificates which does not affect the substance thereof;

(f) modifying any of the provisions of this Indenture, including relieving the Corporation from any of the obligations, conditions or restrictions herein contained, provided that such modification or relief shall be or become operative or effective only if, in the opinion of the Warrant Agent, relying on the advice of Counsel, such modification or relief in no way prejudices any of the rights of the Registered Warrantholders or of the Warrant Agent, and provided further that the Warrant Agent may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Warrant Agent when the same shall become operative;

(g) providing for the issuance of additional Warrants hereunder, including Warrants in excess of the number set out in Section 2.1 and any consequential amendments hereto as may be required by the Warrant Agent relying on the advice of Counsel; and

(h) for any other purpose not inconsistent with the terms of this Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that in the opinion of the Warrant Agent, relying on the advice of Counsel, the rights of the Warrant Agent and of the Registered Warrantholders are in no way prejudiced thereby .

Section 8.2 Successor Entities.

In the case of the consolidation, amalgamation, arrangement, merger or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to or with another entity ("**successor entity**"), the successor entity resulting from such consolidation, amalgamation, arrangement, merger or transfer (if not the Corporation) shall expressly assume, by supplemental indenture satisfactory in form to the Warrant Agent and executed and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Indenture to be performed and observed by the Corporation.

ARTICLE 9
CONCERNING THE WARRANT AGENT

Section 9.1 Trust Indenture Legislation.

(1) If and to the extent that any provision of this Indenture limits, qualifies or conflicts with a mandatory requirement of Applicable Legislation, such mandatory requirement shall prevail.

(2) The Corporation and the Warrant Agent agree that each will, at all times in relation to this Indenture and any action to be taken hereunder, observe and comply with and be entitled to the benefits of Applicable Legislation.

Section 9.2 Rights and Duties of Warrant Agent.

(1) In the exercise of the rights and duties prescribed or conferred by the terms of this Indenture, the Warrant Agent shall exercise that degree of care, diligence and skill that a reasonably prudent warrant agent would exercise in comparable circumstances. No provision of this Indenture shall be construed to relieve the Warrant Agent from liability for its own gross negligent action, wilful misconduct, bad faith or fraud.

(2) The obligation of the Warrant Agent to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Warrant Agent or the Registered Warrantholders hereunder shall be conditional upon the Registered Warrantholders furnishing, when required by notice by the Warrant Agent, sufficient funds to commence or to continue such act, action or proceeding and an indemnity reasonably satisfactory to the Warrant Agent to protect and to hold harmless the Warrant Agent and its officers, directors, employees and agents, against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Warrant Agent to expend or to risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified and funded as aforesaid.

(3) The Warrant Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Registered Warrantholders, at whose instance it is acting to deposit with the Warrant Agent the Warrants Certificates held by them, for which Warrants the Warrant Agent shall issue receipts.

(4) Every provision of this Indenture that by its terms relieves the Warrant Agent of liability or entitles it to rely upon any evidence submitted to it is subject to the provisions of Applicable Legislation.

Section 9.3 Evidence, Experts and Advisers.

(1) If, in the administration of the trusts of this Indenture, the Warrant Agent deems it necessary or desirable that any matter be proved or established by the Corporation, prior to taking or suffering any action hereunder, the Warrant Agent may accept, act, and rely upon, and shall be protected in accepting, acting , and relying upon, a certificate of the Corporation as conclusive evidence of the truth of any fact relating to the Corporation or its assets therein stated and proof of the regularity of any proceedings or actions associated therewith, but the Warrant Agent may in its discretion require further evidence or information before acting or relying on any such certificate. In addition to the reports, certificates, opinions, and other evidence required by this Indenture, the Corporation shall furnish to the Warrant Agent such additional evidence of compliance with any provision hereof, and in such form as may be prescribed by Applicable Legislation or as the Warrant Agent may reasonably require by written notice to the Corporation. Whenever Applicable Legislation requires that evidence referred to in this Section be in the form of a statutory declaration, the Warrant Agent may accept such statutory declaration in lieu of a certificate of the Corporation required by any provision hereof. Any such statutory declaration may be made by any one or more of the Chair of the Board and Chief Executive Officer, President or Chief Financial Officer of the Corporation or by any other officer or director of the Corporation to whom such authority is delegated by the directors from time to time..

(2) In the exercise of its rights and duties hereunder, the Warrant Agent may, if it is acting in good faith, rely as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of the Corporation, certificates of the Corporation or other evidence furnished to the Warrant Agent pursuant to a request of the Warrant Agent, provided that such evidence complies with Applicable Legislation and that the Warrant Agent complies with Applicable Legislation and that the Warrant Agent examines the same and determines that such evidence complies with the applicable requirements of this Indenture.

(3) Whenever it is provided in this Indenture or under Applicable Legislation that the Corporation shall deposit with the Warrant Agent resolutions, certificates, reports, opinions, requests, orders or other documents, it is intended that the truth, accuracy and good faith on the effective date thereof and the facts and opinions stated in all such documents so deposited shall, in each and every such case, be conditions precedent to the right of the Corporation to have the Warrant Agent take the action to be based thereon.

(4) The Warrant Agent may employ or retain such Counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, without taxation of costs of any Counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Warrant Agent. The Corporation shall reimburse the Warrant Agent for all disbursements, costs and expenses made or incurred by the Warrant Agent in the discharge of its duties and in the management of the agency hereunder.

(5) The Warrant Agent may act and rely and shall be protected in acting and relying in good faith on the opinion or advice of or information obtained from any Counsel, accountant, appraiser, engineer or other expert or adviser, whether retained or employed by the Corporation or by the Warrant Agent, in relation to any matter arising in the administration of the agency hereof.

Section 9.4 Documents, Monies, etc. Held by Warrant Agent.

(1) Any monies, securities, documents of title or other instruments that may at any time be held by the Warrant Agent shall be placed in the deposit vaults of the Warrant Agent or of any Canadian chartered bank listed in Schedule I of the *Bank Act* (Canada), or deposited for safekeeping with any such bank. Any written direction for release of funds received shall be received by the Warrant Agent by 3:00 p.m. (Vancouver time) on the Business Day prior to the Business Day on which such release is to be made, failing which such direction will be handled on a commercially reasonable efforts basis and may result in funds being released on the next Business Day. The Warrant Agent shall have no responsibility or liability for any diminution of any funds resulting from any investment made in accordance with this Indenture, including any losses on any investment liquidated prior to maturity in order to make a payment required hereunder.

(2) The Warrant Agent may hold cash balances constituting part or all of such monies and may, but need not, invest same in the deposit department of a Canadian chartered bank; but the Warrant Agent, its affiliates or a Canadian chartered bank shall not be liable to account for any profit to any parties to this Indenture or to any other person or entity.

Section 9.5 Actions by Warrant Agent to Protect Interest.

The Warrant Agent shall have power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect or enforce its interests and the interests of the Registered Warrantholders.

Section 9.6 Warrant Agent Not Required to Give Security.

The Warrant Agent shall not be required to give any bond or security in respect of the execution of the agency and powers of this Indenture or otherwise in respect of the premises.

Section 9.7 Protection of Warrant Agent.

By way of supplement to the provisions of any law for the time being relating to the Warrant Agent it is expressly declared and agreed as follows:

(a) the Warrant Agent shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Warrant Certificates (except the representation contained in Section 9.9 or in the Authentication of the Warrant Agent on the Warrant Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;

(b) nothing herein contained shall impose any obligation on the Warrant Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;

(c) the Warrant Agent shall not be bound to give notice to any person or persons of the execution hereof;

(d) the Warrant Agent shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of its covenants herein contained or of any acts of any directors, officers, employees, agents or servants of the Corporation;

(e) the Warrant Agent is in no way responsible for the use by the Corporation of the proceeds of the issue hereunder;

(f) the Corporation hereby indemnifies and agrees to hold harmless the Warrant Agent, its affiliates, their officers, directors, employees, agents, successors and assigns (the "**Indemnified Parties**") from and against any and all liabilities whatsoever, losses, damages, penalties, claims, demands, actions, suits, proceedings, costs, charges, assessments, judgments, expenses and disbursements, including reasonable legal fees and disbursements of whatever kind and nature which may at any time be imposed on or incurred by or asserted against the Indemnified Parties, or any of them, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of the Indemnified Parties' duties, or any other services that Warrant Agent may provide in connection with or in any way relating to this Indenture. The Corporation agrees that its liability hereunder shall be absolute and unconditional regardless of the correctness of any representations of any third parties and regardless of any liability of third parties to the Indemnified Parties, and shall accrue and become enforceable without prior demand or any other precedent action or proceeding; provided that, notwithstanding any other provision of this Indenture, the Corporation shall not be required to hold harmless or indemnify the Indemnified Parties in the event of the gross negligence, bad faith, wilful misconduct or fraud of the Warrant Agent, and this provision shall survive the resignation or removal of the Warrant Agent or the termination or discharge of this Indenture; and

(g) notwithstanding the foregoing or any other provision of this Indenture, any liability of the Warrant Agent shall be limited, in the aggregate, to the amount of annual retainer fees paid by the Corporation to the Warrant Agent under this Indenture in the twenty-four (24) months immediately prior to the Warrant Agent receiving the first notice of the claim. Notwithstanding any other provision of this Indenture, and whether such losses or damages are foreseeable or unforeseeable, the Warrant Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages.

Section 9.8 Replacement of Warrant Agent; Successor by Merger.

(1) The Warrant Agent may resign its agency and be discharged from all further duties and liabilities hereunder, subject to this Section 9.8, by giving to the Corporation not less than 60 days' prior notice in writing or such shorter prior notice as the Corporation may accept as sufficient. The Registered Warrantholders by Extraordinary Resolution shall have power at any time to remove the existing Warrant Agent and to appoint a new warrant agent. In the event of the Warrant Agent resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new warrant agent unless a new warrant agent has already been appointed by the Registered Warrantholders; failing such appointment by the Corporation, the retiring Warrant Agent or any Registered Warrantholder may apply to a judge of the Province of Ontario on such notice as such judge may direct, for the appointment of a new warrant agent; but any new warrant agent so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Registered Warrantholders. Any new warrant agent appointed under any provision of this Section 9.8 shall be an entity authorized to carry on the business of a trust company in the Province of British Columbia and, if required by the Applicable Legislation for any other provinces, in such other provinces. On any such appointment the new warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Warrant Agent hereunder.

(2) Upon the appointment of a successor warrant agent, the Corporation shall promptly notify the Registered Warrantholders thereof in the manner provided for in Section 10.2.

(3) Any Warrant Certificates Authenticated but not delivered by a predecessor Warrant Agent may be Authenticated by the successor Warrant Agent in the name of the predecessor or successor Warrant Agent.

(4) Any corporation into which the Warrant Agent may be merged or consolidated or amalgamated, or any corporation resulting therefrom to which the Warrant Agent shall be a party, or any corporation succeeding to substantially the corporate trust business of the Warrant Agent shall be the suc cessor to the Warrant Agent hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as successor Warrant Agent under Section 9.8(1).

Section 9.9 Acceptance of Agency

The Warrant Agent hereby accepts the agency in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth.

Section 9.10 Warrant Agent Not to be Appointed Receiver.

The Warrant Agent and any person related to the Warrant Agent shall not be appointed a receiver, a receiver and manager or liquidator of all or any part of the assets or undertaking of the Corporation.

Section 9.11 Warrant Agent Not Required to Give Notice of Default.

The Warrant Agent shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required so to do under the terms hereof; nor shall the Warrant Agent be required to take notice of any default hereunder, unless and until notified in writing of such default, which notice shall distinctly specify the default desired to be brought to the attention of the Warrant Agent and in the absence of any such notice the Warrant Agent may for all purposes of this Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Warrant Agent to determine whether or not the Warrant Agent shall take action with respect to any default. Proof of execution of any document or instrument in writing by a holder may be made by the certificate of a notary public, or other officer with similar powers, that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution, or in any other manner the Warrant Agent considers adequate. The Warrant Agent shall not be bound to give notice to any person of execution hereof.

Section 9.12 Anti-Money Laundering.

(1) Each party to this Agreement other than the Warrant Agent hereby represents to the Warrant Agent that any account to be opened by, or interest to be held by the Warrant Agent in connection with this Agreement, for or to the credit of such party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Warrant Agent's prescribed form as to the particulars of such third party.

(2) The Warrant Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Warrant Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering, anti-terrorist or economic sanctions legislation, regulation or guideline. Further, should the Warrant Agent, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering, anti-terrorist or economic sanctions legislation, regulation or guideline, then it shall have the right to resign on ten (10) days written notice to the other parties to this Indenture, provided (i) that the Warrant Agent's written notice shall describe the circumstances of such non- compliance to the extent permitted by applicable anti-money laundering, anti-terrorist or economic sanctions legislation, regulation or guideline; and (ii) that if such circumstances are rectified to the Warrant Agent's satisfaction within such ten (10) day period, then such resignation shall not be effective.

Section 9.13 Compliance with Privacy Code.

The parties acknowledge that the Warrant Agent may, in the course of providing services hereunder, collect or receive financial and other personal information about such parties and/or their representatives, as individuals, or about other individuals related to the subject matter hereof, and use such information for the following purposes:

(a) to provide the services required under this Indenture and other services that may be requested from time to time;

(b) to help the Warrant Agent manage its servicing relationships with such individuals;

(c) to meet the Warrant Agent's legal and regulatory requirements; and

(d) if Social Insurance Numbers are collected by the Warrant Agent, to perform tax reporting and to assist in verification of an individual's identity for security purposes.

Each party acknowledges and agrees that the Warrant Agent may receive, collect, use and disclose personal information provided to it or acquired by it in the course of this Indenture for the purposes described above and, generally, in the manner and on the terms described in its Privacy Code, which the Warrant Agent shall make available on its website, https://www.astfinancial.com/ca-en or upon request, including revisions thereto. The Warrant Agent may transfer personal information to other companies in or outside of Canada that provide data processing and storage or other support in order to facilitate the services it provides.

Further, each party agrees that it shall not provide or cause to be provided to the Warrant Agent any personal information relating to an individual who is not a party to this Indenture unless that party has assured itself that such individual understands and has consented to the aforementioned uses and disclosures.

Section 9.14 Securities Exchange Commission Certification.

The Corporation confirms that as at the date hereof it does not have a class of securities registered pursuant to Section 12 of the U.S. Exchange Act or a reporting obligation pursuant to Section 15(d) of the U.S. Exchange Act.

The Corporation covenants that in the event that (i) any class of its securities shall become registered pursuant to Section 12 of the U.S. Exchange Act, (ii) the Corporation shall incur a reporting obligation pursuant to Section 15(d) of the U.S. Exchange Act, or (iii) any such registration or reporting obligation shall be terminated by the Corporation in accordance with the U.S. Exchange Act, the Corporation shall promptly deliver to the Warrant Agent an officer's certificate (in a form provided by the Warrant Agent) notifying the Warrant Agent of such registration, reporting obligation or termination, and such other information as the Warrant Agent may reasonably require at the time. The Corporation acknowledges that the Warrant Agent is relying upon the foregoing representation and covenants in order to meet certain obligations of the Warrant Agent with respect to those clients of the Warrant Agent that are required to file reports with the SEC under the U.S. Exchange Act.

ARTICLE 10
GENERAL

Section 10.1 Notice to the Corporation and the Warrant Agent.

(1) Unless herein otherwise expressly provided, any notice to be given hereunder to the Corporation or the Warrant Agent shall be deemed to be validly given if delivered, sent by registered letter, postage prepaid or if faxed:

(a) If to the Corporation:

Suite 915 - 700 West Pender Street
Vancouver, BC
V6C 1G8

Email: chris@algernonpharmaceuticals.com
Attention: Chief Executive Officer

(b) If to the Warrant Agent:

AST Trust Company (Canada)
1600 - 1066 West Hastings Street
Vancouver, BC
V6E 3X1

Email: lmacfarlane@astfinancial.com
Attention: Leslie MacFarlane

and any such notice delivered in accordance with the foregoing shall be deemed to have been received and given on the date of delivery or, if mailed, on the fifth Business Day following the date of mailing such notice or, if faxed, on the next Business Day following the date of transmission.

(2) The Corporation or the Warrant Agent, as the case may be, may from time to time notify the other in the manner provided in Section 10.1(1) of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation or the Warrant Agent, as the case may be, for all purposes of this Indenture.

(3) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrant Agent or to the Corporation hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to the named officer of the party to which it is addressed, as provided in Section 10.1(1), or given by facsimile or other means of prepaid, transmitted and recorded communication.

Section 10.2 Notice to Registered Warrantholders.

(1) Unless otherwise provided herein, notice to the Registered Warrantholders under the provisions of this Indenture shall be valid and effective if delivered or sent by ordinary prepaid post addressed to such holders at their post office addresses appearing on the register hereinbefore mentioned and shall be deemed to have been effectively received and given on the date of delivery or, if mailed, on the third Business Day following the date of mailing such notice. In the event that Warrants are held in the name of the Depository, a copy of such notice shall also be sent by electronic communication to the Depository and shall be deemed received and given on the day it is so sent.

(2) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Registered Warrantholders hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to such Registered Warrantholders to the address for such Registered Warrantholders contained in the register maintained by the Warrant Agent or such notice may be given, at the Corporation's expense, by means of publication in the Globe and Mail, National Edition, or any other English language daily newspaper or newspapers of general circulation in Canada, in each two successive weeks, the first such notice to be published within 5 business days of such event, and any so notice published shall be deemed to have been received and given on the latest date the publication takes place.

Section 10.3 Ownership of Warrants.

The Corporation and the Warrant Agent may deem and treat the Registered Warrantholders as the absolute owner thereof for all purposes, and the Corporation and the Warrant Agent shall not be affected by any notice or knowledge to the contrary except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction. The receipt of any such Registered Warrantholder of the Common Shares which may be acquired pursuant thereto shall be a good discharge to the Corporation and the Warrant Agent for the same and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction.

Section 10.4 Counterparts and Electronic Means.

This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof. Delivery of an executed copy of this Indenture by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Indenture as of the date hereof.

Section 10.5 Satisfaction and Discharge of Indenture.

Upon the earlier of:

(a) the date by which there shall have been delivered to the Warrant Agent for exercise or cancellation all Warrants theretofore Authenticated hereunder, in the case of Certificated Warrants (or such other instructions, in a form satisfactory to the Warrant Agent), in the case of Uncertificated Warrants, or by way of standard processing through the book entry only system in the case of a CDS Global Warrant; and

(b) the Expiry Time;

and if all certificates or other entry on the register representing Common Shares required to be issued in compliance with the provisions hereof have been issued and delivered hereunder or to the Warrant Agent in accordance with such provisions, this Indenture shall cease to be of further effect and the Warrant Agent, on demand of and at the cost and expense of the Corporation and upon delivery to the Warrant Agent of a certificate of the Corporation stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. Notwithstanding the foregoing, the indemnities provided to the Warrant Agent by the Corporation hereunder shall remain in full force and effect and survive the termination of this Indenture.

Section 10.6 Provisions of Indenture and Warrants for the Sole Benefit of Parties and Registered Warrantholders.

Nothing in this Indenture or in the Warrants, expressed or implied, shall give or be construed to give to any person other than the parties hereto and the Registered Warrantholders, as the case may be, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision herein or therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the Registered Warrantholders.

Section 10.7 Common Shares or Warrants Owned by the Corporation or its Subsidiaries - Certificate to be Provided.

For the purpose of disregarding any Warrants owned legally or beneficially by the Corporation in Section 7.16, the Corporation shall provide to the Warrant Agent, from time to time, a certificate of the Corporation setting forth as at the date of such certificate:

(a) the names (other than the name of the Corporation) of the Registered Warrantholders which, to the knowledge of the Corporation, are owned by or held for the account of the Corporation; and

(b) the number of Warrants owned legally or beneficially by the Corporation;

and the Warrant Agent, in making the computations in Section 7.16, shall be entitled to rely on such certificate without any additional evidence.

Section 10.8 Severability

If, in any jurisdiction, any provision of this Indenture or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision will, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Indenture, without affecting the validity or enforceability of such provision in any other jurisdiction and without affecting its application to other parties or circumstances.

Section 10.9 Force Majeure

No party shall be liable to the other, or held in breach of this Indenture, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Indenture shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section.

Section 10.10 Assignment, Successors and Assigns

Neither of the parties hereto may assign its rights or interest under this Indenture, except as provided in Section 9.8 in the case of the Warrant Agent, or as provided in Section 8.2 in the case of the Corporation. Subject thereto, this Indenture shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

Section 10.11 Rights of Rescission and Withdrawal for Holders

Should a holder of Warrants exercise any legal, statutory, contractual or other right of withdrawal or rescission that may be available to it, and the holder's funds which were paid on exercise have already been released to the Corporation by the Warrant Agent, the Warrant Agent shall not be responsible for ensuring the exercise is cancelled and a refund is paid back to the holder. In such cases, the holder shall seek a refund directly from the Corporation and subsequently, the Corporation, upon surrender to the Corporation or the Warrant Agent of any underlying shares that may have been issued, or such other procedure as agreed to by the parties hereto, shall instruct the Warrant Agent in writing, to cancel the exercise transaction and any such underlying shares on the register, which may have already been issued upon the Warrant exercise. In the event that any payment is received from the Corporation by virtue of the holder being a shareholder for such Warrants that were subsequently rescinded, such payment must be returned to the Corporation by such holder. The Warrant Agent shall not be under any duty or obligation to take any steps to ensure or enforce that the funds are returned pursuant to this section, nor shall the Warrant Agent be in any other way responsible in the event that any payment is not delivered or received pursuant to this section. Notwithstanding the foregoing, in the event that the Corporation provides the refund to the Warrant Agent for distribution to the holder, the Warrant Agent shall return such funds to the holder as soon as reasonably practicable, and in so doing, the Warrant Agent shall incur no liability with respect to the delivery or non-delivery of any such funds.

IN WITNESS WHEREOF the parties hereto have executed this Indenture under the hands of their proper officers in that behalf as of the date first written above.

ALGERNON PHARMACEUTICALS INC.

Per: */s/ Christopher Moreau*
Name: Christopher Moreau
Title: Chief Executive Officer

Per: */s/ Michael Sadhra*
Name: Michael Sadhra
Title: Chief Financial Officer

AST TRUST COMPANY (CANADA)

Per: */s/ Leslie MacFarlane*
Name: Leslie MacFarlane
Title: Authorized Signatory

Per: */s/ Tricia Murphy*
Name: Tricia Murphy
Title: Authorized Signatory

SCHEDULE "A"
FORM OF WARRANT

SUBJECT TO THE CORPORATION'S ACCELERATION RIGHT, THE WARRANTS EVIDENCED HEREBY ARE EXERCISABLE AT OR BEFORE 4:00 P.M. (PACIFIC TIME) ON MAY 1, 2022**,** AFTER WHICH TIME THE WARRANTS EVIDENCED HEREBY SHALL BE DEEMED TO BE VOID AND OF NO FURTHER FORCE OR EFFECT.

For all Warrants sold outside the United States and registered in the name of the Depository, the also include the following legend

(INSERT IF BEING ISSUED TO CDS) UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("**CDS**") TO ALGERNON PHARMACEUTCALS INC. (THE "**ISSUER**") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE.

For Warrants sold in the United States, also include the following legends

THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE HOLDING SUCH SECURITIES, AGREES FOR THE BENEFIT OF ALGERNON PHARMACEUTICALS INC. (THE "CORPORATION") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ALL LOCAL LAWS AND REGULATIONS; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 OR (II) RULE 144A THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH 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 CLAUSE (C)(I) OR (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION 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.

THIS WARRANT MAY NOT BE EXERCISED IN THE UNITED STATES OR BY OR FOR THE ACCOUNT OR BENEFIT OF A "U.S. PERSON" OR A PERSON IN THE UNITED STATES UNLESS

THE WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE, OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED BY REGULATION S UNDER THE U.S. SECURITIES ACT.

WARRANT

To acquire Common Shares of

ALGERNON PHARMACEUTICALS INC.

(incorporated pursuant to the laws of the Province of British Columbia)

Warrant Certificate No. ●

Certificate for _____
Warrants, each entitling the holder to acquire one (1) Common Share (subject to adjustment as provided for in the Warrant Indenture (as defined below)

CUSIP: 01559R111

ISIN: CA01559R1111

THIS IS TO CERTIFY THAT, for value received,

(the "**Warrantholder**") is the registered holder of the number of common share purchase warrants (the "**Warrants**") of Algernon Pharmaceuticals Inc. (the "**Corporation**") specified above, and is entitled, on exercise of these Warrants upon and subject to the terms and conditions set forth herein and in the Warrant Indenture, to purchase at any time before 4:00 p.m. (Pacific time) (the "**Expiry Time**") on May 1, 2022 (the "**Expiry Date**"), subject to the Acceleration Right, one fully paid and non-assessable Class A common share without par value in the capital of the Corporation as constituted on the date hereof (a "**Common Share**") for each Warrant subject to adjustment in accordance with the terms of the Warrant Indenture.

For the purpose of this Warrant Certificate and the Warrant Indenture, "Acceleration Right" means the right of the Corporation to accelerate the Expiry Date to a date that is not less than 30 days following the delivery of a valid Acceleration Notice (as defined in the Warrant Indenture) in accordance with Section 2.2(6) of the Warrant Indenture, if, at any time prior to the Expiry Date, the daily volume-weighted average trading price of the Common Shares on the Exchange for the preceding 20 consecutive Trading Days is greater than $0.35.

The right to purchase Common Shares may only be exercised by the Warrantholder within the time set forth above by:

(a) duly completing and executing the exercise form (the "**Exercise Form**") attached hereto; and

(b) surrendering this warrant certificate (the "**Warrant Certificate**"), with the Exercise Form to the Warrant Agent at the principal office of the Warrant Agent, at 1600 - 1066 West Hastings Street,

Vancouver, BC V6E 3X1, together with a certified cheque, bank draft or money order in the lawful money of Canada payable to or to the order of the Corporation in an amount equal to the purchase price of the Common Shares so subscribed for.

The surrender of this Warrant Certificate, the duly completed Exercise Form and payment as provided above will be deemed to have been effected only on personal delivery thereof to, or if sent by mail or other means of transmission on actual receipt thereof by, the Warrant Agent at its principal office as set out above.

Subject to adjustment thereof in the events and in the manner set forth in the Warrant Indenture hereinafter referred to, the exercise price payable for each Common Share upon the exercise of Warrants shall be $0.12 per Common Share (the "**Exercise Price**").

Certificates for the Common Shares subscribed for will be mailed to the persons specified in the Exercise Form at their respective addresses specified therein or, if so specified in the Exercise Form, delivered to such persons at the office where this Warrant Certificate is surrendered. If fewer Common Shares are purchased than the number that can be purchased pursuant to this Warrant Certificate, the holder hereof will be entitled to receive without charge a new Warrant Certificate in respect of the balance of the Common Shares not so purchased. No fractional Common Shares will be issued upon exercise of any Warrant.

This Warrant Certificate evidences Warrants of the Corporation issued or issuable under the provisions of a warrant indenture (which indenture together with all other instruments supplemental or ancillary thereto is herein referred to as the "**Warrant Indenture**") dated as of November 1, 2019 between the Corporation and AST Trust Company (Canada), as Warrant Agent, to which Warrant Indenture reference is hereby made for particulars of the rights of the holders of Warrants, the Corporation and the Warrant Agent in respect thereof and the terms and conditions on which the Warrants are issued and held, all to the same effect as if the provisions of the Warrant Indenture were herein set forth, to all of which the holder, by acceptance hereof, assents. The Corporation will furnish to the holder, on request and without charge, a copy of the Warrant Indenture.

On presentation at the principal office of the Warrant Agent as set out above, subject to the provisions of the Warrant Indenture and on compliance with the reasonable requirements of the Warrant Agent, one or more Warrant Certificates may be exchanged for one or more Warrant Certificates entitling the holder thereof to purchase in the aggregate an equal number of Common Shares as are purchasable under the Warrant Certificate(s) so exchanged.

Neither the Warrants nor the Common Shares issuable upon exercise thereof have been or will be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any U.S. state securities laws. The Warrants may not be exercised in the United States, or by or on behalf of, or for the account or benefit of, a U.S. person or a person in the United States, unless (i) this Warrant and such Common Shares have been registered under the U.S. Securities Act and the applicable laws of any such state, or (ii) an exemption from such registration requirements is available and the requirements set forth in the Exercise Form have been satisfied. "United States" and "U.S. person" are as defined in Regulation S under the U.S. Securities Act.

The Warrant Indenture contains provisions for the adjustment of the Exercise Price payable for each Common Share upon the exercise of Warrants and the number of Common Shares issuable upon the exercise of Warrants in the events and in the manner set forth therein.

The Warrant Indenture also contains provisions making binding on all holders of Warrants outstanding thereunder resolutions passed at meetings of holders of Warrants held in accordance with the provisions of the Warrant Indenture and instruments in writing signed by Warrantholders of Warrants entitled to purchase a specific majority of the Common Shares that can be purchased pursuant to such Warrants.

Nothing contained in this Warrant Certificate, the Warrant Indenture or elsewhere shall be construed as conferring upon the holder hereof any right or interest whatsoever as a holder of Common Shares or any other right or interest except as herein and in the Warrant Indenture expressly provided. In the event of any discrepancy between anything contained in this Warrant Certificate and the terms and conditions of the Warrant Indenture, the terms and conditions of the Warrant Indenture shall govern.

Warrants may only be transferred in compliance with the conditions of the Warrant Indenture on the register to be kept by the Warrant Agent in Vancouver, British Columbia, or such other registrar as the Corporation, with the approval of the Warrant Agent, may appoint at such other place or places, if any, as may be designated, upon surrender of this Warrant Certificate to the Warrant Agent or other registrar accompanied by a written instrument of transfer in form and execution satisfactory to the Warrant Agent or other registrar and upon compliance with the conditions prescribed in the Warrant Indenture and with such reasonable requirements as the Warrant Agent or other registrar may prescribe and upon the transfer being duly noted thereon by the Warrant Agent or other registrar. Time is of the essence hereof.

This Warrant Certificate will not be valid for any purpose until it has been countersigned by or on behalf of the Warrant Agent from time to time under the Warrant Indenture.

Any capitalized term in this Warrant Certificate that is not otherwise defined herein, shall have the meaning ascribed thereto in the Warrant Indenture.

The parties hereto have declared that they have required that these presents and all other documents related hereto be in the English language. Les parties aux présentes déclarent qu'elles ont exigé que la présente convention, de même que tous les documents s'y rapportant, soient rédigés en anglais.

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be duly executed as of_____, 20__.

ALGERNON PHARMACEUTICALS INC.

By: _____
Authorized Signatory

By: _____
Authorized Signatory

Countersigned and Registered by:

AST TRUST COMPANY (CANADA)

By: _____
Authorized Signatory

FORM OF TRANSFER

To: AST Trust Company (Canada)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers to

_____ (print name and address) the Warrants represented by this Warrants Certificate and hereby irrevocably constitutes and appoints_____as its attorney with full power of substitution to transfer the said securities on the appropriate register of the Warrant Agent.

In the case of a warrant certificate that contains a U.S. restrictive legend, the undersigned hereby represents, warrants and certifies that (one (only) of the following must be checked):

☐ (A) the transfer is being made only to the Corporation;

☐ (B) the transfer is being made outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act, and in compliance with any applicable local securities laws and regulations, and the holder has provided herewith the Declaration for Removal of Legend attached as Schedule "C" to the Warrant Indenture,

☐ (C) the transfer is being made pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by (i) Rule 144 under the U.S. Securities Act or (ii) Rule 144A under the U.S. Securities Act, and in either case in accordance with applicable state securities laws, or

☐ (D) the transfer is being made in another transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws.

In the case of a transfer in accordance with (C)(i) or (D) above, the Warrant Agent and the Corporation shall first have received an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Corporation and the Warrant Agent, to such effect. In the case of a transfer in accordance with (C)(ii) above, the Warrant Agent and the Corporation may request documentation or other evidence to ensure compliance with Rule 144A.

DATED this___ day of_____, 20___.

SPACE FOR GUARANTEES OF SIGNATURES

(SEE INSTRUCTIONS BELOW)

_____
Guarantor's Signature/Stamp

_____
Signature of Transferor

_____
Name of Transferor

REASON FOR TRANSFER - For US Citizens or Residents only (where the individual(s) or corporationreceiving the securities is a US citizen or resident). Please select only one (see instructions below).

☐ Gift ☐ Estate ☐ Private Sale ☐ Other (or no change in ownership)

Date of Event (Date of gift, death or sale): Value per Warrants on the date of event:

__/__/____ $ ____.__ ☐CAD OR ☐ USD

CERTAIN REQUIREMENTS RELATING TO TRANSFERS - READ CAREFULLY

The signature(s) of the transferor(s) must correspond with the name(s) as written upon the face of this certificate(s), in every particular, without alteration or enlargement, or any change whatsoever. All securityholders or a legally authorized representative must sign this form. The signature(s) on this form must be guaranteed in accordance with the transfer agent's then current guidelines and requirements at the time of transfer. Notarized or witnessed signatures are not acceptable as guaranteed signatures. As at the time of closing, you may choose one of the following methods (although subject to change in accordance with industry practice and standards):

- **Canada and the USA:**A Medallion Signature Guarantee obtained from a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, NYSE, MSP). Many commercial banks, savings banks, credit unions, and all broker dealers participate in a Medallion Signature Guarantee Program. The Guarantor must affix a stamp bearing the actual words "Medallion Guaranteed", with the correct prefix covering the face value of the certificate.

- **Canada:** A Signature Guarantee obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust. The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed", sign and print their full name and alpha numeric signing number. Signature Guarantees are not accepted from Treasury Branches, Credit Unions or Caisse Populaires unless they are members of a Medallion Signature Guarantee Program. For corporate holders, corporate signing resolutions, including certificate of incumbency, are also required to accompany the transfer, unless there is a "Signature & Authority to Sign Guarantee" Stamp affixed to the transfer (as opposed to a "Signature Guaranteed" Stamp) obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust or a Medallion Signature Guarantee with the correct prefix covering the face value of the certificate.

- **Outside North America:**For holders located outside North America, present the certificates(s) and/or document(s) that require a guarantee to a local financial institution that has a corresponding Canadian or American affiliate which is a member of an acceptable Medallion Signature Guarantee Program. The corresponding affiliate will arrange for the signature to be over-guaranteed.

OR

The signature(s) of the transferor(s) must correspond with the name(s) as written upon the face of this certificate(s), in every particular, without alteration or enlargement, or any change whatsoever. The signature(s) on this form must be guaranteed by an authorized officer of Royal Bank of Canada, Scotia Bank or TD Canada Trust whose sample signature(s) are on file with the transfer agent, or by a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, NYSE, MSP). Notarized or witnessed signatures are not acceptable as guaranteed signatures. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED", "MEDALLION GUARANTEED" OR "SIGNATURE & AUTHORITY TO SIGN GUARANTEE", all in accordance with the transfer agent's then current guidelines and requirements at the time of transfer. For corporate holders, corporate signing resolutions, including certificate of incumbency, will also be required to accompany the transfer unless there is a "SIGNATURE & AUTHORITY TO SIGN GUARANTEE" Stamp affixed to the Form of Transfer obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust or a "MEDALLION GUARANTEED" Stamp affixed to the Form of Transfer, with the correct prefix covering the face value of the certificate.

REASON FOR TRANSFER - FOR US CITIZENS OR RESIDENTS ONLY

Consistent with US IRS regulations, AST is required to request cost basis information from US securityholders. Please indicate the reason for requesting the transfer as well as the date of event relating to the reason. The event date is not the day in which the transfer is finalized, but rather the date of the event which led to the transfer request (i.e. date of gift, date of death of the securityholder, or the date the private sale took place).

SCHEDULE "B"
EXERCISE FORM

TO: Algernon Pharmaceuticals Inc. (the "**Corporation**")

AND TO: AST Trust Company (Canada)
1600 - 1066 West Hastings St.
Vancouver, BC
V6E 3X1

The undersigned holder of the Warrants evidenced by this Warrant Certificate hereby exercises the right to acquire_____(A) Common Shares of Algernon Pharmaceuticals Inc.

Exercise Price Payable: _____
((A) multiplied by $0.12, subject to adjustment)

The undersigned hereby exercises the right of such holder to be issued, and hereby subscribes for, Common Shares that are issuable pursuant to the exercise of such Warrants on the terms specified in such Warrant Certificate and in the Warrant Indenture.

The undersigned hereby acknowledges that the undersigned is aware that the Common Shares received on exercise may be subject to restrictions on resale under applicable securities legislation.

Any capitalized term in this Warrant Certificate that is not otherwise defined herein, shall have the meaning ascribed thereto in the Warrant Indenture.

The undersigned represents, warrants and certifies as follows (one (only) of the following must be checked):

(A) ☐ the undersigned holder at the time of exercise of the Warrants (i) is not in the United States, (ii) is not a U.S. Person, (iii) is not exercising the Warrants on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States, (iv) did not acquire the Warrants in the United States or on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States; (v) did not receive an offer to exercise the Warrants in the United States; (vi) did not execute or deliver this exercise form in the United States; and (vii) delivery of the underlying Common Shares will not be to an address in the United States; OR

(B) ☐ the undersigned holder

(i) is (1) present in the United States, (2) a U.S. Person, (3) a person exercising for the account or benefit of a U.S. Person or a person in the United States, (4) executing or delivering this exercise form in the United States, or (5) requesting delivery of the underlying Common Shares in the United States, and

(ii) is an accredited investor (a "**U.S. Accredited Investor**") within the meaning assigned in Rule 501(a) of Regulation D under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), the undersigned holder has delivered to the Corporation and the Corporation's transfer agent a completed and executed U.S. Warrantholder Letter is substantially the form attached to the Warrant Indenture as Schedule "D";

OR

(C) ☐ if the undersigned holder

(i) is (1) present in the United States, (2) a U.S. Person, (3) a person exercising for the account or benefit of a U.S. Person or a person in the United States, (4) executing or delivering this exercise form in the United States, or (5) requesting delivery of the underlying Common Shares in the United States, and

(ii) the undersigned holder has an exemption from the registration requirements of the U.S. Securities Act and all applicable state securities laws available for the exercise of the Warrants, and has delivered to the Corporation and the Corporation's transfer agent a written opinion of U.S. counsel of recognized standing, in form and substance reasonably satisfactory to the Corporation, or such other evidence reasonably satisfactory to the Corporation to that effect.

It is understood that the Corporation and the Warrant Agent may require evidence to verify the foregoing representations.

Notes:

1. Certificates representing Common Shares will not be registered or delivered to an address in the United States unless Box B or C above is checked.
2. If Box C above is checked, holders are encouraged to consult with the Corporation and the Warrant Agent in advance to determine that the legal opinion tendered in connection with the exercise will be satisfactory in form and substance to the Corporation and the Warrant Agent.
3. "**United States**" and "**U.S. Person**" are as defined in Rule 902 of Regulation S under the U.S. Securities Act.

The undersigned hereby irrevocably directs that the said Common Shares be issued, registered and delivered as follows:

Name(s) in Full and Social Insurance Number(s) (if applicable)	**Address(es)**	**Number of Common Shares**

Please print full name in which certificates representing the Common Shares are to be issued. If any Common Shares are to be issued to a person or persons other than the registered holder, the registered holder must pay to the Warrant Agent all eligible transfer taxes or other government charges, if any, and the Form of Transfer must be duly executed.

Once completed and executed, this Exercise Form must be mailed or delivered to AST Trust Company (Canada), c/o General Manager, Corporate Trust.

DATED this _____day of_____, 20___.

Witness	)	(Signature of Warrantholder, to be the same as appears on the face of this Warrant Certificate)
	)	Name of Registered Warrantholder

☐ Please check if the certificates representing the Common Shares are to be delivered at the office where this Warrant Certificate is surrendered, failing which such certificates will be mailed to the address set out above. Certificates will be delivered or mailed as soon as practicable after the surrender of this Warrant Certificate to the Warrant Agent.

SCHEDULE "C"

FORM OF DECLARATION FOR REMOVAL OF LEGEND

TO: AST Trust Company (Canada)

as registrar and transfer agent for the Warrants and Common Shares issuable upon exercise of the Warrants of Algernon Pharmaceuticals Inc. (the "**Corporation**").

The undersigned (A) acknowledges that the sale of_____ ☐ Warrants OR ☐ Common Shares (the "**Securities**") of the Corporation, represented by certificate number _____ or held in Direct Registration System (DRS) account number_____, to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and (B) certifies that (1) the undersigned is not (a) an "affiliate" of the Corporation (as that term is defined in Rule 405 under the U.S. Securities Act), except solely by virtue of being an officer or director of the Corporation , (b) a "distributor" or (c) an affiliate of a distributor; (2) the offer of such Securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another "designated offshore securities market", and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the Securities are "restricted securities" (as that term is defined in Rule 144(a)(3) under the U.S. Securities Act); (5) the seller does not intend to replace such securities with fungible unrestricted securities; and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S under the U.S. Securities Act, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

DATED this_____, 20___.

X_____
Signature of individual (if Seller is an individual)

X_____
Authorized signatory (if Seller is not an individual)

_____
Name of Seller (please print)

_____
Name of authorized signatory (please print)

_____
Official capacity of authorized signatory (please print)

Affirmation by Seller's Broker-Dealer
(Required for sales pursuant to Section (B)(2)(b) above)

We have read the foregoing representations of our customer,_____ (the "**Seller**") with regard to the sale, for such Seller's account, of _____ Class A common shares (the "**Shares**") of the Corporation represented by certificate number _____ ____ or held in Direct Registration System (DRS) account number_____. We have executed sales of the Securities pursuant to Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), on behalf of the Seller. In that connection, we hereby represent to you as follows:

(1) no offer to sell Shares was made to a person in the United States;

(2) the sale of the Shares was executed in, on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another designated offshore securities market (as defined in Rule 902(b) of Regulation S under the U.S. Securities Act), and, to the best of our knowledge, the sale was not pre-arranged with a buyer in the United States;

(3) no "directed selling efforts" were made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and

(4) we have done no more than execute the order or orders to sell the Shares as agent for the Seller and will receive no more than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

For purposes of these representations: "**affiliate**" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned; "**directed selling efforts**" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Shares (including, but not be limited to, the solicitation of offers to purchase the Shares from persons in the United States); and "**United States**" means the United States of America, its territories or possessions, any State of the United States, and the District of Columbia.

Legal counsel to the Corporation shall be entitled to rely upon the representations, warranties and covenants contained herein to the same extent as if this affirmation had been addressed to them.

_____
Name of Firm

By: _____
Authorized Officer

Dated:_____, 20____.

SCHEDULE "D"
FORM OF U.S. WARRANTHOLDER CERTIFICATION UPON EXERCISE OF WARRANTS

Algernon Pharmaceuticals Inc.
Suite 915 - 700 West Pender Street
Vancouver, BC
V6C 1G8

Attention: Chief Executive Officer

- and to -

AST Trust Company (Canada) as Warrant Agent
Dear Sirs:

The undersigned is delivering this letter in connection with the purchase of Class A common shares (the "**Common Shares**") of Algernon Pharmaceuticals Inc., a corporation incorporated under the laws of the Province of British Columbia (the "**Corporation**") upon the exercise of warrants of the Corporation ("**Warrants**"), issued under the warrant indenture dated as of November 1, 2019 between the Corporation and AST Trust Company (Canada).

The undersigned hereby represents and warrants to the Corporation that the undersigned, and each beneficial owner (each a "**Beneficial Owner**"), if any, on whose behalf the undersigned is exercising such Warrants, satisfies one or more of the following categories of accredited investor **(please write "W/H" for the undersigned holder, and "B/O" for each beneficial owner, if any, on each line that applies)**:

(a) _____ Any bank as defined in Section 3(a)(2) of the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the U.S. Securities Exchange Act of 1934 or any insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; any investment company registered under the U.S. Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the U.S. Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees if such plan has total assets in excess of US$5,000,000; any employee benefit plan within the meaning of the U.S. Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of US$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are "accredited investors," as such term is defined in Rule 501 of Regulation D of the U.S. Securities Act;

(b) _____ Any private business development company as defined in Section 202(a)(22) of the U.S. Investment Advisers Act of 1940;

(c) _____ Any organization described in Section 501(c)(3) of the U.S. Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of US$5,000,000;

(d) _____ Any trust with total assets in excess of US$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person (being defined as a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment);

(e) _____ Any director, executive officer or general partner of the Corporation;

(f) _____ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds US$1,000,000 (**note:** for the purposes of calculating net worth: (i) the person's primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale and purchase of securities contemplated by the accompanying Warrant exercise form, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale and purchase of securities contemplated by the accompanying Warrant exercise form exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability);

(g) _____ Any natural person who had an individual income in excess of US$200,000 in each of the two most recent years or joint income with that person's spouse in excess of US$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year; or

(h) _____ Any entity in which each of the equity owners meets the requirements of one of the above categories (*if this alternative is checked, you must identify each equity owner and provide statements signed by each demonstrating how each qualifies as an accredited investor*).

The undersigned further represents and warrants to the Corporation that:

1. the undersigned has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Common Shares, and the undersigned is able to bear the economic risk of loss of his or her entire investment;

2. the undersigned is: (i) purchasing the Common Shares for his or her own account or for the account of one or more U.S. Accredited Investors with respect to which the undersigned is exercising sole investment discretion, and not on behalf of any other person; (ii) is purchasing the Common Shares for investment purposes only and not with a view to resale, distribution or other disposition in violation of United States federal or state securities laws; and (iii) in the case of the purchase by the undersigned of the Common Shares as agent or trustee for any other person or persons (each a "**Beneficial Owner**"), the undersigned holder has due and proper authority to act as agent or trustee for and on behalf of each such Beneficial Owner in connection with the transactions contemplated hereby; provided that: (x) if the undersigned holder, or any Beneficial Owner, is a corporation or a partnership, syndicate, trust or other form of unincorporated organization, the undersigned holder or each such Beneficial Owner was not incorporated or created solely, nor is it being used primarily, to permit purchases without a prospectus or registration statement under applicable law; and (y) each Beneficial Owner, if any, is a U.S. Accredited Investor;

3. the undersigned has not exercised the Warrants as a result of any form of general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, television, the Internet or other form of telecommunications, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising; and

4. the funds representing the purchase price for the Common Shares which will be advanced by the undersigned to the Corporation will not represent proceeds of crime for the purposes of the United States Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "**PATRIOT Act**"), and the undersigned acknowledges that the Corporation may in the future be required by law to disclose the undersigned's name and other information relating to this exercise form and the undersigned's subscription hereunder, on a confidential basis, pursuant to the PATRIOT Act. No portion of the purchase price to be provided by the undersigned (i) has been or will be derived from or related to any activity that is deemed criminal under the laws of the United States of America, or any other jurisdiction, or (ii) is being tendered on behalf of a person or entity who has not been identified to or by the undersigned, and the undersigned shall promptly notify the Corporation if the undersigned discovers that any of such representations ceases to be true and provide the Corporation with appropriate information in connection therewith.

The undersigned also acknowledges and agrees that:

5. the Corporation has provided to the undersigned the opportunity to ask questions and receive answers concerning the terms and conditions of the offering, and the undersigned has had access to such information concerning the Corporation as he or she has considered necessary or appropriate in connection with his or her investment decision to acquire the Common Shares;

6. if the undersigned decides to offer, sell or otherwise transfer any of the Common Shares, the undersigned must not, and will not, offer, sell or otherwise transfer any of such Common Shares directly or indirectly, unless:

(a) the sale is to the Corporation;

(b) the sale is made outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations;

(c) the sale is made pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in accordance with any applicable state securities or "blue sky" laws; or

(d) the Common Shares are sold in a transaction that does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities, and it has prior to such sale furnished to the Corporation an opinion of counsel reasonably satisfactory to the Corporation;

7. the Common Shares are "restricted securities" (as defined in Rule 144(a)(3) under the U.S. Securities Act) and that the U.S. Securities Act and the rules of the United States Securities and Exchange Commission provide in substance that the undersigned may dispose of the Common Shares only pursuant to an effective registration statement under the U.S. Securities Act or an exemption or exclusion therefrom;

8. the Corporation has no obligation to register any of the Common Shares or to take any other action so as to permit sales pursuant to the U.S. Securities Act (including Rule 144 thereunder);

9. the certificates representing the Common Shares as well as all certificates issued in exchange for or in substitution of therefor, until such time as is no longer required under the applicable requirements of the U.S. Securities Act and applicable state securities laws, will bear, on the face of such certificate, restrictive legend substantially in the form set forth in section 3.3(3) of the Warrant Indenture; *provided* that if the Common Shares are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S and the Corporation was a "foreign issuer" (as defined in Rule 902 of Regulation S) at the time of execution and delivery of this exercise form, such restrictive legend may be removed by providing a declaration to the registrar and transfer agent of the Corporation, substantially in the form annexed to the Warrant Indenture as Schedule "C" thereto (or in such other form as the Corporation may prescribe from time to time) and, if requested by the Corporation or transfer agent, an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation to the effect that the transfer is in compliance with Rule 904; and provided, further, that, if any Common Shares are being sold otherwise than in accordance with Regulation S and other than to the Corporation, the legend may be removed by delivery to the registrar and transfer agent and the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws;

10. the financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, which differ in some respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies;

11. there may be material tax consequences to the undersigned of an acquisition or disposition of the Common Shares and the Corporation gives no opinion and makes no representation with respect to the tax consequences to the undersigned under United States, state, local or foreign tax law of the undersigned's acquisition or disposition of such securities; in particular, no determination has been made whether the Corporation will be a "passive foreign investment company" (commonly known as a "**PFIC**") within the meaning of Section 1297 of the United States Internal Revenue Code;

12. it consents to the Corporation making a notation on its records or giving instructions to any transfer agent of the Corporation in order to implement the restrictions on transfer set forth and described in this Warrant Exercise Form; and

13. it acknowledges and consents to the fact that the Corporation is collecting personal information (as that term is defined under applicable privacy legislation, including, without limitation, the *Personal Information Protection and Electronic Documents Act* (Canada) and any other applicable similar, replacement or supplemental provincial or federal legislation or laws in effect from time to time) of the undersigned for the purpose of facilitating the subscription for the Common Shares hereunder. The undersigned acknowledges and consents to the Corporation retaining such personal information for as long as permitted or required by law or business practices and agrees and acknowledges that the Corporation may use and disclose such personal information: (a) for internal use with respect to managing the relationships between and contractual obligations of the Corporation and the undersigned; (b) for use and disclosure for income tax-related purposes, including without limitation, where required by law disclosure to Canada Revenue Agency; (c) disclosure to professional advisers of the Corporation in connection with the performance of their professional services; (d) disclosure to securities regulatory authorities and other regulatory bodies with jurisdiction with respect to reports of trade or similar regulatory filings; (e) disclosure to a governmental or other authority to which the disclosure is required by court order or subpoena compelling such disclosure and where there is no reasonable alternative to

such disclosure; (f) disclosure to any person where such disclosure is necessary for legitimate business reasons and is made with your prior written consent; (g) disclosure to a court determining the rights of the parties under this Agreement; and (h) for use and disclosure as otherwise required or permitted by law.

We acknowledge that you will rely upon our confirmations, acknowledgements and agreements set forth herein, and we agree to notify you promptly in writing if any of our representations or warranties herein ceases to be accurate or complete.

DATED this____day of____, 20_.

_____
Name of U.S. Warrantholder (please print)

X _____
Signature of individual (if U.S. Warrantholder is an individual)

X _____
Authorized Signatory (if U.S. Warrantholder is not an individual)

_____
Name of authorized signatory (please print)

_____
Official capacity of authorized signatory (please print)

AGENCY AGREEMENT

May 13, 2020

Algernon Pharmaceuticals Inc. Suite 915 - 700 West Pender Street Vancouver, BC
V6C 1G8

Attention: Christopher Moreau, Chief Executive Officer

Dear Sir:

The undersigned, Mackie Research Capital Corporation (the "**Agent**"), understands that Algernon Pharmaceuticals Inc. (the "**Company**") proposes to create, offer, issue and sell up to 17,143,000 special warrants of the Company ("**Initial Special Warrants**"), at a price of $0.35 per Special Warrant (the "**Issue Price**"), for aggregate gross proceeds of up to $6,000,050, or such other number of Initial Special Warrants as the Agent and the Company may agree (together with the Agent's Option (as defined below), the "**Offering**"), subject to the terms and conditions set out below. In addition, the Company has granted to the Agent an option (the "**Agent's Option**") exercisable, in whole or in part, at any time up to forty- eight (48) hours prior to the Time of Closing (as defined herein) to arrange for the sale of such number of additional special warrants of the Company as is equal to up to 15% of the number of Initial Special Warrants (the "**Additional Special Warrants**" and, together with the Initial Special Warrants, the "**Special Warrants**") at the Issue Price to raise additional gross proceeds of up to $900,007.50 or such other amount as the Agent and the Company may agree. The Agent's Option shall be exercisable by the Agent giving written notice to the Company thereof at any time up to 48 hours prior to the Time of Closing. Upon the furnishing of such a notice, the Company will be committed to sell and deliver to the Agent, in accordance with and subject to the provisions of this Agreement, the number of Additional Special Warrants indicated in such notice.

The Special Warrants shall be duly and validly created and issued pursuant to, and governed by, a special warrant indenture (the "**Special Warrant Indenture**") to be entered into on the Closing Date between the Company and AST Trust Company (Canada) (the "**Special Warrant Agent**"), or such other trust company as may be acceptable to the Company and the Agent, in its capacity as special warrant agent thereunder. The description of the Special Warrants herein is a summary only and is subject to the specific attributes and detailed provisions of the Special Warrants set forth in the Special Warrant Indenture. In the case of any inconsistency between the description of the Special Warrants in this Agreement and their terms and conditions as set forth in the Special Warrant Indenture, the provisions of the Special Warrant Indenture shall govern.

Each Special Warrant is exercisable, for no additional consideration, under and subject to the terms described herein, for one unit of the Company (each an "**Underlying Unit**" and together with any Penalty Units (as defined below) and any Compensation Option Units (as defined below), the **Underlying Units**"). Each Underlying Unit is comprised of one Class A common share of the Company (each a "**Unit Share**" and collectively, the "**Unit Shares**") and one Class A common share purchase warrant (each a "**Warrant**" and collectively, the "**Warrants**"). Each Warrant entitles the holder thereof to purchase one Class A common share of the Company (each a "**Warrant Share**" and collectively, the "**Warrant Shares**") for a period of 24 months after the Closing Date (the "**Expiry Date**") at a price of $0.55 per Warrant Share. Notwithstanding the foregoing, if, at any time following the Qualification Date (as defined below) and prior to the Expiry Date, the volume weighted average trading price of the Class A common shares in the capital of the Company (the "**Common Shares**") on the Canadian Securities Exchange (the "**CSE**") or other principal exchange on which the Common Shares are listed, is greater than $1.00 for a period of ten (10) consecutive trading days then the Company may, within 15 days of the occurrence of such event, accelerate the expiry date of the Warrants to the date that is thirty (30) days following the date on which the Company issues notice to all the Warrant holders of the new expiry date ("**Accelerated Exercise Period**"). Concurrently with the giving of such notice, the Company will also issue a press release disclosing the Accelerated Exercise Period. Any unexercised Warrants shall automatically expire at the end of the Accelerated Exercise Period.

Each Special Warrant will be (i) voluntarily exercisable at any time for no additional consideration by any Purchaser (as defined herein) by providing written notice to the Special Warrant Agent of such exercise, or (ii) to the extent any Special Warrants remain unexercised, automatically exercised (without any further action on the part the Purchasers) at 5:00 p.m. (Vancouver time) on the Qualification Date.

Notwithstanding the foregoing, in the event the Qualification Date has not occurred prior to 5:00 p.m. (Vancouver time) on the date which is thirty-five (35) days following the Closing Date (the "**Qualification Deadline**"), each unexercised Special Warrant will thereafter entitle Purchasers to receive upon the exercise or deemed exercise thereof, for no additional consideration, 1.10 Units in lieu of one (1) Unit and thereafter at the end of each additional thirty (30) day period prior to the Qualification Date, each Special Warrant will be exercisable for an additional 0.02 of an Underlying Unit (each additional

0.10 Unit and 0.02 Unit, as applicable, individually a "**Penalty Unit**" and collectively, the "**Penalty Units**"). The Company will use reasonable commercial efforts to have the Qualification Date occur prior to the Qualification Deadline. Notwithstanding any failure by the Company to satisfy the Qualification Condition (as defined herein) by the Qualification Deadline, the Company shall continue to use reasonable commercial best efforts to satisfy the Qualification Condition as soon as possible thereafter until such time as all the Special Warrants have been, or are deemed to have been, exercised.

In consideration of the Agent agreeing to act as agent to find Purchasers of Special Warrants on a commercially reasonable "best efforts" private placement basis, the Company agrees: (A) to pay to the Agent at the Time of Closing (as defined below) on the Closing Date, an aggregate cash fee equal to 8.0% of the aggregate gross proceeds to the Company from the sale of the Special Warrants pursuant to the Offering (or $0.028 per Special Warrant), with the exception of gross proceeds of up to $500,000 raised from insiders of the Company and close persons of the Company included in the Company's President's list agreed to with the Agent (the "**President's List**") which shall be subject to a reduced cash fee equal to 4.0% of the aggregate gross proceeds of sales from the President's List (collectively, the "**Cash Fee**"); and (B) to issue to the Agent at the Time of Closing on the Closing Date compensation options ("**Compensation Options**") equal to 8.0% of the number of Special Warrants, which shall be subject to a reduced number of Compensation Options equal to 4.0% of the number of Special Warrants issued to those persons included in the President's List. Each Compensation Option will be exercisable for one unit of the Company (each a "**Compensation Unit**" and collectively, the "**Compensation Units**") for a period of 24 months following the Closing Date at the Issue Price. Each Compensation Unit shall consist of one Common Share (each a "**Compensation Option Share**" and collectively the "**Compensation Option Shares**") and one Common Share purchase warrant of the Company (each such Common Share purchase warrant, a "**Compensation Option Warrant**" and collectively, the "**Compensation Option Warrants**" and together with the Compensation Options, Compensation Units, Compensation Option Shares and the Common Shares issuable on exercise of the Compensation Option Warrants, the "**Compensation Securities**"). If the Qualification Date does not occur on or before the Qualification Deadline, each Compensation Option that has not been exercised shall be exercisable to acquire one-and-one tenth (1.10) Units, and an additional 0.02 of an Underlying Unit for each additional 30 days thereafter prior to the Qualification Date.

The Company and the Agent agree that any offers to sell or sales of the Special Warrants to purchasers that are in the United States or to, or for the account or benefit of, U.S. Persons (as defined below), (i) be made in compliance with Schedule "A" attached hereto, which forms part of this Agreement, and allows for the Agent, acting through its U.S. Affiliate (as defined below), to offer and sell the Special Warrants in the United States to Accredited Investors (as defined below) in accordance with Rule 506(b) (as defined below); (ii) be conducted in such a manner so as not to require registration thereof or the filing of a prospectus or an offering memorandum with respect thereto under the U.S. Securities Act (as defined below); and (iii) be conducted through one or more duly registered U.S. Affiliate (as defined below) of the Agent in compliance with applicable federal and state securities laws of the United States.

The Agent and the Company agree that the Company will also offer and sell Special Warrants directly to certain purchasers on the President's List at the Issue Price for aggregate proceeds of up to $100,000 (the "**Non-Brokered Private Placement**"). The Agent undertakes no obligation to the Company or to the purchasers under the Non-Brokered Private Placement. The Company acknowledges and agrees that purchasers under the Non-Brokered Private Placement do not and will not have any recourse to or any rights against the Agent, and the Agent does not and will not have any liability whatsoever to purchasers under or in connection with the Non-Brokered Private Placement.

The Agent shall be entitled to appoint, at its sole expense, other registered dealers ("**Selling Firms**") as agents to assist in the Offering and the Agent shall determine the remuneration payable to such Selling Firms, such remuneration to be the sole responsibility of the Agent.

The Offering is conditional upon and subject to the additional terms and conditions set forth below. The following are additional terms and conditions of the Agreement between the Company and the Agent:

1. Interpretation

Definitions - In addition to the terms previously defined and terms defined elsewhere in this Agreement (as defined below) (including the Schedules hereto), where used in this Agreement or in any amendment hereto, the following terms shall have the following meanings, respectively:

"**Accredited Investor**" has the meaning given to it in Schedule "A" to this Agreement;

"**Agreement**" means this Agency Agreement as the same may be amended and/or restated from time to time;

"**Ancillary Documents"** means all agreements, indentures (including the Special Warrant Indenture and the Warrant Indenture), certificates (including the Compensation Option Certificate and any certificates representing the Special Warrants and the Warrants), officers' certificates, notices and other documents executed and delivered, or to be executed and delivered, by the Company in connection with the Offering or the qualification for distribution of the Underlying Units, whether pursuant to Applicable Securities Laws or otherwise;

"**Applicable Laws**" means, in relation to any person or persons, the Applicable Securities Laws, the Applicable Healthcare Laws, and all other statutes, regulations, statutory rules, orders, by- laws, codes, ordinances, decrees, the terms and conditions of any grant of approval, permission, authority or licence, or any judgment, order, decision, ruling, award, policy or guideline, of any Governmental Authority that are applicable to such person or persons or its or their business, undertaking, property or securities and emanate from a Governmental Authority, having jurisdiction over the person or persons or its or their business, undertaking, property or securities;

"**Applicable Healthcare Laws**" means all statutes, regulations, statutory rules, orders, by-laws, codes, ordinances, decrees, the terms and conditions of any grant of approval, permission, authority or licence, or any judgment, order, decision, ruling, award, policy or guideline, of any Governmental Authority, applicable to the development, testing (including clinical and pre- clinical trials), manufacturing, market authorization, packaging, labeling, advertising, importation, storage, post-market monitoring, distribution or sale of the Products;

"**Applicable Securities Laws**" means, collectively, (i) the applicable securities laws of each of the Qualifying Jurisdictions, their respective regulations, rulings, rules, orders (including blanket orders and discretionary orders), instruments (including national and multilateral instruments), fee schedules and prescribed forms thereunder, the applicable policy statements issued by the Securities Commissions or similar authority thereunder and the securities legislation of and policies issued by each other relevant jurisdiction and the rules and policies of the CSE, and (ii) all applicable securities laws in the United States, including without limitation, the U.S. Securities Act, the U.S. Exchange Act and the rules and regulations promulgated thereunder, and any applicable state securities laws;

"**Assets and Properties**" with respect to any person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, tangible or intangible, choate or inchoate, absolute, accrued, contingent, fixed or otherwise, and, in each case, wherever situated), including the goodwill related thereto, operated, owned, licensed or leased by or in the possession of such person;

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**BCSC**" means the British Columbia Securities Commission;

"**Business Day**" means a day, other than a Saturday, a Sunday or a day on which chartered banks are not open for business in Vancouver, British Columbia or Toronto, Ontario;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Claims**" and "**Claim**" have the meanings ascribed thereto in Section 13(a);

"**Closing**" means the closing of the Offering;

"**Closing Date**" means May 13, 2020 or such earlier or later date as may be agreed to in writing by the Company and the Agent each acting reasonably;

"**Common Shares**" means the Class A common shares in the capital of the Company;

"**Compensation Option Certificate**" means the certificate representing the Compensation Options;

"**Compensation Option Shares**" has the meaning given to it above;

"**Compensation Option Warrants**" has the meaning given to it above;

"**Compensation Options**" has the meaning given to it above;

"**Disclosure Record**" means the Company's prospectuses, annual reports, annual and interim financial statements, annual information forms, business acquisition reports, management discussion and analysis of financial condition and results of operations, information circulars, material change reports, press releases and all other information or documents publicly filed or otherwise publicly disseminated by the Company;

"**distribution**" means distribution or distribution to the public, as the case may be, for the purposes of the Applicable Securities Laws or any of them;

"**Documents Incorporated by Reference**" means all financial statements, management's discussion and analysis, management information circulars, annual information forms, business acquisition reports, material change reports and other documents filed by the Company, whether before or after the date of this Agreement, that are required to be incorporated by reference, or that are deemed to be incorporated by reference, under Applicable Securities Laws in the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material, as applicable;

"**Eligible Issuer**" means an issuer which meets the criteria and has complied with the requirements of NI 44-101 so as to be qualified to offer securities by way of a short form prospectus;

"**Encumbrance**" means any charge, mortgage, lien, pledge, claim, restriction, security interest or other encumbrance whether created or arising by agreement, statute or otherwise pursuant to any applicable law, attaching to property, interests or rights;

"**Final Receipt**" means the Passport Receipt for the Final Qualification Prospectus;

"**Final Qualification Prospectus**" means the (final) short form prospectus of the Company, including all of the Documents Incorporated by Reference, prepared by the Company and certified by the Company and the Agent, qualifying the distribution of the Underlying Units in the Qualifying Jurisdictions;

"**Governmental Authority**" means any governmental authority and includes, without limitation, any international, national, federal government, province, state, municipality or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing;

"**Governmental Licences**" has the meaning ascribed thereto in Section8(ddd) of this Agreement; "**Hazardous Substances**" has the meaning ascribed thereto in Section 8(tt);

"**Historical Financial Statements**" means, collectively, the (i) audited consolidated financial statements of the Company to be incorporated by reference in the Offering Documents as at and for the fiscal year ended August 31, 2019 (which financial statements include comparative financial information for the August 31, 2018 fiscal year), together with the report of Smythe LLP on those financial statements, and including the notes with respect to those financial statements; and (ii) the unaudited condensed consolidated interim financial statements of the Company to be incorporated by reference in the Offering Documents as at and for the six months ended February 29, 2020 (which financial statements include comparative financial information for the comparable period ended February 28, 2019), and including the notes with respect to those financial statements;

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board, which were adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles applicable to publicly accountable enterprises;

"**Indemnified Parties**" and **"Indemnified Party**" have the meanings ascribed thereto in Section 13(a);

"**Intellectual Property**" shall mean all of the following which is owned by, issued to or licensed to the Company and/or any Subsidiary, or other rights of the Company and/or any Subsidiary to use the following: (i) rights in any patents, patent applications, patent rights, patent disclosures and inventions (whether or not patentable and whether or not reduced to practice) anywhere in the world and any re-issue, continuation, continuation-in-part, revision, extension or re-examination thereof; (ii) trademarks, service marks, trade-names, business names, certification marks, logos, slogans, Internet domain names, distinguishing marks and guises, rights protecting goodwill and reputation and corporate names together with all the goodwill associated therewith, including, without limitation, the use of the current corporate name and any registrations and applications therefor, anywhere in the world, whether or not registered or registrable; (iii) copyrights (including performance rights) to any original works of art or authorship (including, without limitation, web sites, source code and graphics) which are fixed in any medium of expression, including copyright registrations and applications therefor, anywhere in the world, whether or not registered or registrable; (iv) all registrations, applications, and renewals for any of the foregoing, whether registrable or unregistrable; (v) trade secrets, know how (including unpatented and/or unpatentable proprietary information, systems or procedures), show-how, proprietary knowledge and other confidential information; (vi) any and all industrial design rights, industrial designs, design patents, industrial design or design patent registrations and applications therefor, anywhere in the world, whether or not registered or registrable; (vii) information technologies, whether registrable or unregistrable; (viii) other intellectual property; (ix) all copies and tangible embodiments of the foregoing; and (x) any license rights or other rights of use of any of the foregoing;

"**Leased Premises**" has the meaning ascribed thereto in Section 8(qq);

"**Licensed IP**" means the Intellectual Property that is necessary and material to the business of the Company and the Subsidiaries as presently conducted or as proposed to be conducted and that is owned by any person other than the Company or any Subsidiary;

"**Losses**" has the meaning ascribed thereto in Section 13(a);

"**Marketing Presentation**" means the presentation of the Company dated April 30, 2020 used in connection with the marketing of the Offering;

"**Material Adverse Effect**" means any event, fact, change (including a decision to implement such a change made by the board of directors or by senior management who believe that confirmation of the decision by the board of directors is probable), circumstance, development, occurrence or state of affairs which could have an effect that is materially adverse (actually or anticipated, whether financial or otherwise) to the business, assets (including intangible assets), affairs, operations, liabilities (contingent or otherwise), capital, assets, properties, prospects, condition (financial or otherwise) or results of operations of the Company and the Subsidiaries (taken as a whole), whether or not arising in the ordinary course of business;

"**material change**" has the meaning ascribed thereto in the Applicable Securities Laws of the Qualifying Jurisdictions;

"**material fact**" has the meaning ascribed thereto in the Applicable Securities Laws of the Qualifying Jurisdictions;

"**misrepresentation**" has the meaning ascribed thereto in the Applicable Securities Laws of the Qualifying Jurisdictions;

"**NI 44-101**" means National Instrument 44-101 - *Short Form Prospectus Distributions* of the Canadian Securities Administrators;

"**NI 45-106**" means National Instrument 45-106 - *Prospectus Exemptions* of the Canadian Securities Administrators;

"**NI 51-102**" means National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

"**Non-Brokered Private Placement**" has the meaning ascribed to such term above;

"**Offering Documents**" means, collectively, the Preliminary Qualification Prospectus, the Final Qualification Prospectus, and any Supplementary Material;

"**Passport Receipt**" means a receipt issued by the BCSC as principal regulator pursuant to the Passport System and which also evidences (i) that the Ontario Securities Commission has issued a receipt, and (ii) the deemed receipt of the Securities Commissions of the Qualifying Jurisdictions (other than Ontario and British Columbia), in any case for the Preliminary Qualification Prospectus or the Final Qualification Prospectus or any Supplementary Material, as the case may be;

"**Passport System**" means the passport system procedures provided for under National Policy 11-202 -*Process for Prospectus Reviews in Multiple Jurisdictions* of the Canadian Securities Administrators;

"**Preliminary Receipt**" means the Passport Receipt for the Preliminary Qualification Prospectus;

"**Preliminary Qualification Prospectus**" means the preliminary short form prospectus of the Company, including all of the Documents Incorporated by Reference, prepared by the Company and certified by the Company and the Agent relating to the distribution of the Underlying Units in the Qualifying Jurisdictions;

"**Products**" means the pharmaceutical products under development, manufactured and/or marketed by the Company or which are or will be undergoing testing, pre-clinical trials and/or clinical trials;

"**Purchasers**" means the persons who (as purchasers or beneficial purchasers) acquire Special Warrants by duly completing, executing and delivering Subscription Agreements, and permitted assignees or transferees of such persons from time to time;

"**Qualification**" has the meaning ascribed thereto in Section8(z);

"**Qualification Condition**" means the Company obtaining the Final Receipt for the Final Qualification Prospectus from the BCSC, as principal regulator, on its own behalf and on behalf of each of the other Securities Commissions, which qualifies the distribution of the Underlying Units;

"**Qualification Date**" means the date that is the earlier of: (i) four (4) months and a day following Closing, and (ii) the 3rd business day after the Qualification Condition is satisfied;

"**Qualifying Jurisdictions**" means the Provinces of Canada, other than Quebec, in which Purchasers are resident;

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities Commission**" means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions and "**Securities Commissions**" has a comparable meaning;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Selling Jurisdictions**" means, collectively, the Qualifying Jurisdictions, the United States and such other jurisdictions consented to by the Company and the Agent where Special Warrants are sold;

"**Standard Listing Conditions**" has the meaning ascribed thereto in Section7(a);

"**Subscription Agreements**" means, collectively, the subscription agreements in the form agreed upon by the Agent and the Company, pursuant to which Purchasers agree to subscribe for and purchase Special Warrants as herein contemplated and shall include, for greater certainty, all schedules thereto;

"**Subsequent Disclosure Documents**" means any annual and/or interim financial statements, management's discussion and analysis, information circulars, annual information forms, material change reports, business acquisition reports or other documents issued by the Company after the date of this Agreement that are required to be incorporated by reference into the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material;

"**Subsidiaries**" means those entities that would be a "subsidiary" of the Company pursuant to the Applicable Securities Laws of the Province of British Columbia and includes (i) Nash Pharmaceuticals Inc. and (ii) Algernon Research Pty Ltd.;

"**Supplementary Material**" means, collectively, any amendment to or amendment and restatement of the Preliminary Qualification Prospectus and/or the Final Qualification Prospectus, and any further amendment, amendment and restatement or supplemental prospectus thereto or ancillary materials that may be filed by or on behalf of the Company under the Applicable Securities Laws relating to the qualification of the distribution of the Underlying Units;

"**Time of Closing**" means 9:00 a.m. (Toronto time) on the Closing Date, or such other time on the Closing Date as may be agreed to by the Company and the Agent;

"**Transaction Documents**" means, collectively, this Agreement, the Subscription Agreements, the Special Warrant Indenture, the Warrant Indenture, the Compensation Option Certificate and the certificates, if any, representing the Special Warrants and the Warrants;

"**Underlying Units**" has the meaning given to it above;

"**United States**" and "**U.S.**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

"**U.S. Affiliate**" has the meaning given to it in Schedule "A" to this Agreement; "**U.S. Exchange Act**" has the meaning given to it in Schedule "A" to this Agreement;
"**U.S. Person**" means a "U.S. person" as that term is defined in Rule 902(k) of Regulation S under the U.S. Securities Act;

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended; "**Warrant Agent**" means AST Trust Company (Canada); and

"**Warrant Indenture**" means the warrant indenture governing the Warrants to be entered into on the Closing Date between the Company and the Warrant Agent.

Other

(a) Any reference in this Agreement to a Section shall refer to a section of this Agreement.

(b) All words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case requires and the verb shall be construed as agreeing with the required word and/or pronoun.

(c) Any reference in this Agreement to "**$**" or to "**dollars**" shall refer to the lawful currency of Canada, unless otherwise specified. All references in this Agreement to "deemed exercise" of the Special Warrants shall refer to the automatic exercise of the Special Warrants on the Qualification Date.

(d) Where any representation or warranty contained in this Agreement or any Ancillary Document is expressly qualified by reference to the "**knowledge**" of the Company or "**the best of the Company's knowledge**", or where any other reference is made herein or in any Ancillary Document to the "**knowledge**" of the Company, it shall be deemed to refer to the actual knowledge of (i) Christopher Moreau, the Chief Executive Officer of the Company, (ii) Michael Sadhra, the Chief Financial Officer of the Company, and (iii) Mark Williams, the Chief Science Officer of the Company, of the facts or circumstances to which such phrase relates, after having made reasonable enquiry in connection with such facts and circumstances that would ordinarily be made by officers of similar sized companies (which for greater certainty shall exclude any due diligence reports or materials prepared by the Agent or its counsel).

2. Nature of Transaction

The Company hereby agrees to secure compliance with all Applicable Securities Laws on a timely basis in connection with the distribution of the Special Warrants and the Company shall execute and file with the Securities Commissions all forms, notices and certificates relating to the Offering required to be filed pursuant to the Applicable Securities Laws in the Qualifying Jurisdictions in the time required by Applicable Securities Laws in the Qualifying Jurisdictions.

3. Offering of Special Warrants

(a) **Agency Deal.** The Company hereby appoints the Agent to act as exclusive agent to offer and sell Special Warrants on a commercially reasonable "best efforts" private placement basis and the Agent hereby accepts such appointment. Notwithstanding anything to the contrary contained herein or any oral representations or assurances previously or subsequently made by the parties hereto, this Agreement does not constitute a commitment by, or legally binding obligation of, the Agent or any of its affiliates to act as underwriters, initial purchasers, arrangers, and/or placement agents in connection with any offering of securities of the Company, including the Special Warrants, or to provide or arrange any financing, other than the appointment as agent in connection with the Offering in accordance with the prior sentence and otherwise on the terms set forth herein.

(b) **Sale on Exempt Basis.** The Company understands that the Agent shall have the right to and shall use its commercially reasonable best efforts to arrange for the Special Warrants to be purchased by the Purchasers:

(i) in the Qualifying Jurisdictions on a private placement basis in compliance with Applicable Securities Laws such that the offer and sale of the Special Warrants does not obligate the Company to file a prospectus (other than Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material relating to the distribution of the Underlying Units as contemplated this Agreement);

(ii) in the United States and to, or for the account or benefit of, U.S. Persons must be exempt from registration under the U.S. Securities Act and applicable state securities laws and in connection therewith, the offer and sale of Special Warrants in the United States and to, or for the account or benefit of, U.S.

Persons shall occur in accordance with Schedule "A" attached hereto; and

(iii) in such other jurisdictions as consented to by the Company on a private placement basis in compliance with all applicable securities laws of such other jurisdictions provided that no prospectus, registration statement or similar document is required to be filed in such jurisdiction, no registration or similar requirement would apply with respect to the Company in such other jurisdictions and the Company does not thereafter become subject to on-going continuous disclosure obligations in such other jurisdictions.

(c) **Press Releases.** In order to comply with applicable U.S. securities laws, any press release announcing or otherwise concerning the Offering shall include an appropriate notation on each page as follows: "**Not for distribution to United States Newswire Services or for dissemination in the United States**". In addition, any such press release shall contain the following disclaimer: "This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available."

(d) **Filings.** The Company undertakes to file, or cause to be filed, all forms or undertakings required to be filed by the Company in connection with the issue and sale of the Special Warrants (including a Form 45-106F1, Form D and any filings required under state blue- sky laws, as required, with the applicable Securities Commissions, the SEC and United States state regulatory authorities, as applicable) so that the distribution of the Special Warrants to the Purchasers may lawfully occur without the necessity of filing a prospectus, registration statement or other offering document in Canada or other jurisdictions (but on terms that will permit the Special Warrants acquired by the Purchasers to be sold by such Purchasers at any time in the Selling Jurisdictions, subject to applicable hold periods under Applicable Securities Laws). All prescribed fees payable in connection with such filings shall be at the sole expense of the Company.

(e) **No Offering Memorandum.** Other than the Marketing Presentation, neither the Company nor the Agent shall: (i) provide to any prospective purchasers of Special Warrants any document or other material that would constitute an offering memorandum within the meaning of Applicable Securities Laws; or (ii) engage in any form of general solicitation or general advertising in connection with the offer and sale of the Special Warrants, including any advertisement, article, notice or other communication published in any newspaper, magazine, printed public media, printed media or similar media, or broadcast over radio, television or telecommunications, including electronic display, or any seminar or meeting relating to the offer and sale of the Special Warrants whose attendees have been invited by general solicitation or advertising.

4. Filing of Preliminary Qualification Prospectus and Final Qualification Prospectus

(a) **Preliminary Qualification Prospectus.** The Company covenants and agrees to use commercially reasonable efforts to: (i) prepare and file the Preliminary Qualification Prospectus and obtain a Preliminary Receipt therefor from the BCSC as soon as practicable; and (ii) promptly resolve all comments received or deficiencies raised by the Securities Commissions in respect of the Preliminary Qualification Prospectus as expeditiously as possible.

(b) **Final Qualification Prospectus.** The Company covenants and agrees to use commercially reasonable efforts to, as soon as practicable after all comments of the Securities Commissions have been satisfied with respect to the Preliminary Qualification Prospectus, and in any event, prior to the Qualification Deadline, prepare and file the Final Qualification Prospectus and obtain a Final Receipt therefor from the BCSC. The Company shall promptly take, or cause to be taken, all reasonable steps and proceedings that may from time to time be required under Applicable Securities Laws to qualify the distribution of the Underlying Units in the Qualifying Jurisdictions (including for greater certainty, the Units issuable upon the exercise of the Compensation Options until the day that is 4 months and a day following the Closing Date) and shall use its commercially reasonable efforts to ensure that such requirements shall be fulfilled prior to the Qualification Deadline. If the Company does not obtain the Final Receipt prior to the Qualification Deadline, the Company covenants in favour of the Purchasers to continue to use its commercially reasonable efforts to obtain the Final Receipt as soon as possible, provided that the Company shall no longer be required to do so after such time as all of the Special Warrants have been, or are deemed to have been, exercised.

(c) **Commercial Copies.** The Company shall cause commercial copies of the Final Qualification Prospectus and any Supplementary Material to be delivered to the Agent without charge, in such numbers and in such cities in the Selling Jurisdictions as the Agent may reasonably request. Such delivery shall be effected as soon as practicable and, in any event, within two Business Days after the filing thereof in the Qualifying Jurisdictions.

(d) **Representation as to Final Qualification Prospectus and Supplementary Material.**

Each delivery to the Agent of the Preliminary Qualification Prospectus, the Final Qualification Prospectus and/or any Supplementary Material by or on behalf of the Company shall constitute the representation and warranty of the Company to the Agent that:

(i) all information and statements (except information and statements relating solely to and provided in writing by the Agent) contained and incorporated by reference in the Preliminary Qualification Prospectus or the Final Qualification Prospectus or any Supplementary Material, as the case may be, are, at the respective dates of delivery thereof, true and correct and contain no misrepresentation or untrue, false or misleading statement of a material fact and, on the respective dates of delivery thereof, the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material provide full, true and plain disclosure of all material facts relating to the Company (on a consolidated basis), the Special Warrants, the Underlying Units, the Unit Shares, the Warrants and the Warrant Shares as required by Applicable Securities Laws of the Qualifying Jurisdictions;

(ii) no material fact has been omitted from any of the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material (except information and statements relating solely to and provided in writing by the Agent) which is required to be stated therein or is necessary to make the statements therein not misleading in light of the circumstances in which they were made; and

(iii) each of such documents complies with the requirements of the Applicable Securities Laws of the Qualifying Jurisdictions.

Such delivery shall also constitute the Company's consent to the Agent's and any Selling Firm's use of the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material in connection with the distribution of the Underlying Units in the Qualifying Jurisdictions in compliance with the provisions of this Agreement.

(e) **Review of Prospectuses.** The form and substance of the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material shall be satisfactory to the Agent, acting reasonably, prior to the filing thereof with the Securities Commissions.

(f) **Contractual Right of Rescission.** In the event that a holder of a Special Warrant who acquires Unit Shares and Warrants that comprise Underlying Units upon exercise or deemed exercise of the Special Warrant is or becomes entitled under Applicable Securities Laws to the remedy of rescission by reason of a misrepresentation in the Preliminary Qualification Prospectus or the Final Qualification Prospectus, or any Supplementary Material, qualifying for distribution in the Qualifying Jurisdictions the Unit Shares and Warrants comprising the Underlying Units to be issued on exercise or deemed exercise of the Special Warrants, the Company hereby agrees that such holder shall, subject to available defences and any limitation period under Applicable Securities Laws, be entitled to rescission not only of the holder's exercise or deemed exercise of its Special Warrants but also of the private placement transaction under this Agreement pursuant to which the Special Warrants were initially acquired (i.e. the Offering), and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrants. In the event that such holder is a permitted assignee of the interest of the original purchaser of the Special Warrants, the Company hereby agrees that such permitted assignee shall be permitted to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original purchaser. The Company hereby agrees that the foregoing right, which is extended by the Company in respect of the Special Warrants issued by the Company pursuant to accepted subscriptions at the Time of Closing, is in addition to any other right or remedy available to a holder of Special Warrants under Section 131 of the *Securities Act* (British Columbia) or equivalent provisions of Applicable Securities Laws, or otherwise at law, and is subject to the defences and limitations described under such Applicable Securities Laws. The Company agrees that the foregoing rights shall be described in the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material, and the Company agrees to and shall comply with such contractual right of rescission.

(g) **Due Diligence.** The Company shall permit the Agent and its counsel to participate in the preparation of the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material, to discuss the Company's business with its corporate officers, auditors, legal counsel and other advisors and to conduct such full and comprehensive review and investigation of the Company's business, affairs, capital and operations as the Agent shall consider to be necessary to establish a due diligence defence under Applicable Securities Laws to an action for misrepresentation or damages and to enable the Agent to responsibly execute the Agent's certificate in the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material. The Company also covenants to use commercially reasonable efforts to secure the cooperation of the Company's professional advisors (including its legal advisors and auditors) to participate in any due diligence conference calls required by the Agent, and the Company consents to the use and the disclosure of information obtained during the course of the due diligence investigation where such disclosure is required by Applicable Laws.

(h) **Deliveries.** The Company will deliver to the Agent prior to or concurrently with the filing of the Preliminary Qualification Prospectus and Final Qualification Prospectus, as applicable, unless otherwise indicated:

(i) a copy of the Preliminary Qualification Prospectus and the Final Qualification Prospectus manually signed on behalf of the Company, by the persons and in the form required by Applicable Securities Laws;

(ii) a copy of any other document filed with, or delivered to, the Securities Commissions by the Company under Applicable Securities Laws in connection with the filing of the Preliminary Qualification Prospectus or Final Qualification Prospectus; and

(iii) in the case of the Final Qualification Prospectus, a "long-form" comfort letter dated the date of the Final Qualification Prospectus, in form and substance satisfactory to the Agent, acting reasonably, addressed to the Agent, from the Company's auditors Smythe LLP, and based on a review completed not more than two Business Days prior to the date of the letter, with respect to certain financial and accounting information relating to the Company included and incorporated by reference in the Final Qualification Prospectus, which letter shall be in addition to the auditors' report contained in the Final Qualification Prospectus and any auditors' comfort letter addressed to or filed with the Securities Commissions under Applicable Securities Laws.

(i) **Supplementary Material.** If applicable, the Company shall prepare and deliver promptly to the Agent copies of all Supplementary Material. Concurrently with the delivery of any Supplementary Material or the incorporation by reference in the Preliminary Qualification Prospectus or the Final Qualification Prospectus of any Subsequent Disclosure Document, the Company shall deliver to the Agent, with respect to such Supplementary Material or Subsequent Disclosure Document, documents substantially similar to those referred to in Section 4(h).

5. Distribution and Certain Obligations of the Agent

(a) The Agent shall, and shall require any Selling Firm to agree to, comply with the Applicable Securities Laws and the applicable securities laws of the Selling Jurisdictions outside of Canada, in connection with the distribution of the Special Warrants and shall offer the Special Warrants for sale to the public directly and through Selling Firms upon the terms and conditions set out in this Agreement.

(b) The Agent shall, and shall require any Selling Firm to agree to, distribute the Special Warrants in a manner which complies with and observes all Applicable Laws in each jurisdiction into and from which they may offer to sell the Special Warrants and will not, directly or indirectly, offer, sell or deliver any Special Warrants to any person in any jurisdiction other than in the Selling Jurisdictions, unless the Company and the Agent agree otherwise and then only in a manner which will not require the Company to comply with the registration and prospectus or other similar requirements under the applicable securities laws of such other jurisdictions.

(c) The Agent will use commercially reasonable efforts to obtain from each Purchaser a duly completed and executed Subscription Agreement and other forms required under Applicable Securities Laws or the applicable securities laws of the Selling Jurisdictions outside of Canada that are provided to the Agent by the Company for execution by Purchasers relating to the issuance and sale of the Special Warrants, and the Agent shall at least two (2) Business Days prior to the Closing Date, provide the Company with copies of such Subscription Agreements and complete registration instructions in respect of the Special Warrants.

(d) The Agent is an "accredited investor" as defined under NI 45-106.

(e) The Agent will keep, and cause its representatives and agents to keep, strictly confidential, and will use only for the purpose of performing its obligations hereunder, all information, whether written or oral, acquired from the Company and the Company's representatives and agents in connection with the transactions contemplated hereunder, except (i) information for which disclosure was approved by the Company, (ii) information disclosed to employees and agents of the Company or its affiliates and to those officers, employees, agents and advisors of the Agent who require access thereto for the purpose of permitting the Agent to fulfill its obligations hereunder; (iii) information that was made available to the public prior to the Agent's engagement, (iv) information that thereafter becomes available to the public other than through a breach by the Agent of its obligations hereunder, (v) information that was lawfully in the Agent's possession prior to its engagement, or (vi) to the extent that the Agent is required by law to disclose such information. The Agent will provide the Company with prompt notice of any such legal disclosure requirement so that the Company may seek an appropriate protective order or waive compliance with this Section 5(e).

6. Material Change

(a) The Company shall promptly inform the Agent (and promptly confirm such notification in writing) during the period from the date of this Agreement until the Qualification Date of the full particulars of:

(i) any material change whether actual, anticipated, contemplated, threatened or proposed in the Company or any Subsidiary or in any of their respective businesses, assets (including intangible assets), affairs, operations, prospects, liabilities (contingent or otherwise), capital, assets, properties, condition (financial or otherwise) or results of operations or in the Offering;

(ii) any material fact which has arisen or has been discovered or any new material fact that would have been required to have been stated in the Offering Documents had that fact arisen or been discovered on, or prior to the date of any of the Offering Documents; or

(iii) any change in any material fact (which for the purposes of this Agreement shall be deemed to include the disclosure of any previously undisclosed material fact) contained or incorporated by reference in the Offering Documents or the Disclosure Record or whether any event or state of facts has occurred after the date hereof, which, in any case, is, or may be, of such a nature as to render any of the Offering Documents or the Disclosure Record untrue or misleading in any material respect or to result in any misrepresentation in any of the Offering Documents or the Disclosure Record, including as a result of any of the Offering Documents or the Disclosure Record containing or incorporating by reference an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statement therein not false or not misleading in the light of the circumstances in which it was made, or which could result in any of the Offering Documents or the Disclosure Record not complying with the Applicable Securities Laws of any Qualifying Jurisdiction.

(b) Subject to Section 6(d) the Company will prepare and file promptly (and, in any event, within the time prescribed by Applicable Securities Laws) any Supplementary Material which may be necessary under the Applicable Securities Laws, and the Company will prepare and file promptly at the request of the Agent any Supplementary Material which, in the opinion of the Agent, acting reasonably, may be necessary or advisable.

(c) During the period commencing on the date hereof until the Qualification Date, the Company will promptly inform the Agent in writing of the full particulars of:

(i) any request of any Securities Commission for any amendment to the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material or for any additional information in respect of the Offering;

(ii) the receipt by the Company of any material communication, whether written or oral, from any Securities Commission, the CSE or any other competent authority, relating to the Offering, the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material;

(iii) any notice or other correspondence received by the Company from any Governmental Authority and any requests from such bodies for information, a meeting or a hearing relating to the Company, the Offering, the issue and sale of the Special Warrants or any other event or state of affairs that could, individually or in the aggregate, have a Material Adverse Effect; or

(iv) the issuance by any Securities Commission, the CSE or any other competent authority, including any other Governmental Authority, of any order to cease or suspend trading or distribution of any securities of the Company or of the institution, threat of institution of any proceedings for that purpose or any notice of investigation that could potentially result in an order to cease or suspend trading or distribution of any securities of the Company.

(d) In addition to the provisions of Sections 6(a), 6(b) and 6(c) hereof, the Company shall in good faith discuss with the Agent any circumstance, change, event or fact contemplated in Sections 6(a), 6(b) or 6(c) which is of such a nature that there is or could be reasonable doubt as to whether notice should be given to the Agent under Section 6(a), 6(b) or 6(c) hereof and shall consult with the Agent with respect to the form and content of any Supplementary Material proposed to be filed by the Company, it being understood and agreed that no such Supplementary Material shall be filed with any Securities Commission prior to the review and approval thereof by the Agent and its counsel, acting reasonably.

7. Regulatory Approvals

(a) Prior to the completion of the Offering, the Company shall file or cause to be filed with the CSE all necessary documents and shall take or cause to be taken all necessary steps to ensure that the Company has obtained all necessary approvals for the Unit Shares, Warrant Shares and Compensation Option Shares (including the Common Shares issuable upon exercise of the Compensation Option Warrants) to be conditionally listed on the CSE subject only to the satisfaction by the Company of such customary and standard post-closing conditions imposed by the CSE in similar circumstances and set forth in such letter if any, and the CSE's policies (the "**Standard Listing Conditions**").

(b) The Company will make all necessary filings and obtain all necessary regulatory consents and approvals (if any), and the Company will pay all filing, exemption and other fees required to be paid in connection with the transactions contemplated in this Agreement.

8. Representations and Warranties of the Company

The Company represents and warrants to the Agent and the Purchasers, and acknowledges that each of them is relying on such representations and warranties in connection with the purchase of Special Warrants, that:

(a) the Company: (i) has been duly incorporated, amalgamated, continued or organized and is validly existing as a company in good standing under the laws of its jurisdiction of incorporation, amalgamation, continuation or organization, and has the corporate power, capacity and authority to own, lease and operate its property and assets, to conduct its business as now conducted and as currently proposed to be conducted and to carry out the provisions hereof; and (ii) where required, has been duly qualified as an extra-provincial or foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases property, or conducts any business unless, in each case, the failure to so qualify in any such jurisdiction would not, individually or in the aggregate, have a Material Adverse Effect;

(b) other than the Subsidiaries, the Company has no subsidiaries and no investment in any person which is or would be material to the business and affairs of the Company. The Subsidiaries are the only subsidiaries of the Company. The Company is the direct or indirect registered and beneficial owner of all of the issued and outstanding shares and other voting securities of each Subsidiary, in each case free and clear of all Encumbrances or adverse interests whatsoever, and no person, firm, corporation or entity has any agreement, option, right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option, for the purchase from the Company or any Subsidiary of any of the shares or other securities of any Subsidiary;

(c) each Subsidiary: (i) has been duly incorporated, amalgamated, continued or organized and is validly existing as a company in good standing under the laws of its jurisdiction of incorporation, amalgamation, continuation or organization and has the corporate power, capacity and authority to own, lease and operate its property and assets, to conduct its business as now conducted and as currently proposed to be conducted and to carry out the provisions hereof; and (ii) where required, has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases property, or conducts any business and is not precluded from carrying on business or owning property in such jurisdictions by any other commitment, agreement or document;

(d) each of the Company and the Subsidiaries (i) has conducted and has been conducting its business in compliance in all material respects with all Applicable Laws of each jurisdiction in which its business is carried on or in which its services are provided and has not received a notice of non-compliance, nor knows of, nor has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such Applicable Laws, (ii) is not in breach or violation of any judgment, order or decree of any Governmental Authority or court having jurisdiction over the Company or any Subsidiary, as applicable, and (iii) holds all, and are not in breach of any, material Governmental Licences that enable its business to be carried on as now conducted in each of the jurisdictions it carries on business and enable it to own, lease or operate its Assets and Properties, and none of the Subsidiaries nor, to the knowledge of the Company, any other person, has taken any steps or proceedings, voluntary or otherwise, requiring or authorizing such Subsidiaries' dissolution or winding up;

(e) none of the Company or any Subsidiary has been served with or otherwise received notice of any legal or governmental proceedings and there are no legal or governmental proceedings (whether or not purportedly on behalf of the Company) pending to which the Company or any Subsidiary is a party or of which any property or assets of the Company or any Subsidiary is the subject which is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the consummation by the Company of the transactions contemplated by this Agreement and, to the best of the Company's knowledge, no such proceedings have been threatened or contemplated by any Governmental Authority or any other parties;

(f) the Company owns no real property. Any real property or building held under lease by the Company or any Subsidiary, which is material, individually or in the aggregate, to the Company or any Subsidiary, is held by it under valid and subsisting leases enforceable against the respective lessors thereof with such exceptions as are not material, individually or in the aggregate, to the Company;

(g) the Company and each Subsidiary is the absolute legal and beneficial owner, and has good and valid title to, all of the material property or assets thereof as described in the Disclosure Record free and clear of all Encumbrances and defects of title except such as are disclosed in the Disclosure Record or such as are not material, individually or in the aggregate, to the Company or any Subsidiary, and (A) no other material property or assets are necessary for the conduct of the business of the Company or any Subsidiary as currently conducted, (B) the Company has no knowledge of any claim or the basis for any claim that might or could materially and adversely affect the right of the Company or any Subsidiary to use, transfer or otherwise exploit such property or assets, and (C) neither the Company nor the Subsidiary has any responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any person with respect to the property and assets thereof;

(h) the Historical Financial Statements:

(i) have been prepared in accordance with Applicable Securities Laws and IFRS, applied on a consistent basis throughout the periods referred to therein, except as otherwise disclosed therein;

(ii) present fairly, in all material respects, the financial position and condition of the Company and the Subsidiaries on a consolidated basis as at the dates thereof and the results of its operations and the changes in its shareholder's equity and cash flows for the periods then ended, and contain and reflect adequate provisions or allowance for all reasonably anticipated liabilities, expenses and losses of the Company and the Subsidiaries on a consolidated basis in accordance with IFRS, and do not contain a misrepresentation; and

(iii) have been audited (in the case of the annual financial statements comprising the Historical Financial Statements) or reviewed (in the case of the interim financial statements comprising the Historical Financial Statements) by independent public accountants within the meaning of Applicable Securities Laws and the rules of the Chartered Professional Accountants of Canada;

(i) the accountants who audited or reviewed (as the case may be) the Historical Financial Statements are independent with respect to the Company within the meaning of Applicable Securities Laws and there has not been any "reportable event" (within the meaning of NI 51-102) with the current auditors or any former auditors of the Company during the past five financial years;

(j) there are no material liabilities of the Company whether direct, indirect, absolute, contingent or otherwise which are not disclosed or reflected in the Historical Financial Statements, except for liabilities incurred in the ordinary course of business since November 30, 2019, and which liabilities would not, individually or in the aggregate, have a Material Adverse Effect;

(k) the audit committee's responsibilities and composition comply with National Instrument 52-110 -*Audit Committees*;

(l) except as disclosed in the Disclosure Record, none of the directors, executive officers or shareholders who beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the outstanding Common Shares or any known associate or affiliate of any such person, had or has any material interest, direct or indirect, in any transaction or any proposed transaction (including, without limitation, any loan made to or by any such person) with the Company which, as the case may be, materially affects, is material to or will materially affect the Company and its Subsidiaries on a consolidated basis;

(m) the Company and each Subsidiary has duly and on a timely basis filed all foreign, federal, state, provincial, territorial, local and municipal tax returns required to be filed by it, has paid, collected, withheld and remitted all taxes due and payable or required to be collected, withheld and remitted by the Company and the Subsidiaries, respectively, and has paid all assessments and reassessments in respect of all taxes and all other governmental charges, including penalties, interest and other fines due and payable by it and which are claimed by any Governmental Authority to be due and owing, except where the failure to pay would not, individually or in the aggregate, have a Material Adverse Effect; there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Company or by any Subsidiary; there are no audits, actions, suits, proceedings, investigations or claims in progress or pending or, to the best of the Company's knowledge, threatened against the Company or any Subsidiary in respect of taxes or other governmental charges which, if determined adversely, could individually or in the aggregate have a Material Adverse Effect; the Company and each of the Subsidiaries have established on their books and records reserves that are adequate for the payment of all taxes and other governmental charges including penalties, interest and other fines not yet due and payable and there are no liens for such taxes and other amounts on the assets of the Company or any of the Subsidiaries, and, to the best of the Company's knowledge, there are no audits pending of the tax returns of the Company or any of the Subsidiaries (whether federal, state, provincial, local or foreign) and there are no claims which have been or may be asserted relating to any such tax returns, which audits and claims, if determined adversely, would result in the assertion by any Governmental Authority of any deficiency that could, individually or in the aggregate, have a Material Adverse Effect;

(n) the Company and/or the Subsidiaries own, or have obtained valid and enforceable licenses for, or other rights to make, use, reproduce, license, sell, modify, update, enhance or otherwise exploit, the Intellectual Property including, for greater certainty, the Intellectual Property described in the Disclosure Record; the Company has no knowledge that the Company or any Subsidiary lacks or will be unable to obtain any rights or licenses to use or otherwise exploit all Intellectual Property used for the conduct of the business of the Company and/or the Subsidiaries (including the commercialization of the Company's products and services candidates) as described in the Disclosure Record; no third parties have rights to any Intellectual Property of the Company or any Subsidiary, except as disclosed in the Disclosure Record or except for the ownership rights of the owners of the Licensed IP or except for any licenses of use granted by the Company and/or any Subsidiary therein; there is no pending or, to the best of the Company's knowledge, threatened or ongoing action, suit, proceeding or claim by others challenging the validity or enforceability of any Intellectual Property or the Company's or any Subsidiary's rights in or to any Intellectual Property, the Company has no knowledge of any facts which form a reasonable basis for any such claim, and to the best of the Company's knowledge, there has been no finding of unenforceability or invalidity of the Intellectual Property; to the best of the Company's knowledge, there is no patent or published patent application that contains claims that interfere with the issued or pending claims of any of the Intellectual Property of the Company or any Subsidiary; and to the best of the Company's knowledge, there is no prior art that necessarily renders any patent application owned by the Company or any Subsidiary unpatentable that has not been disclosed to the US Patent and Trademark Office or any similar office in Canada or any other jurisdiction;

(o) other than Licensed IP, the Company and/or the Subsidiaries are the legal and beneficial owners of, have good and marketable title to, and own all right, title and interest in and to all Intellectual Property free and clear of all Encumbrances or adverse interests whatsoever, covenants, conditions, options to purchase and restrictions or other adverse claims of any kind or nature, and the Company has no knowledge of any claim of adverse ownership in respect thereof; other than the Licensed IP, no consent of any person is necessary to make, use, reproduce, license, sell, modify, update, enhance or otherwise exploit any Intellectual Property and none of the Intellectual Property of the Company or any Subsidiary comprises an improvement to Licensed IP that would give any person any rights to any such Intellectual Property, including, without limitation, rights to license any such Intellectual Property;

(p) neither the Company nor any of the Subsidiaries has received any notice or claim (whether written, oral or otherwise) challenging the ownership or right to use or otherwise exploit any of the Intellectual Property or suggesting that any other person has any claim of legal or beneficial ownership or other claim or interest with respect thereto, nor is there a reasonable basis for any claim that any person other than the Company and the Subsidiaries have any claim of legal or beneficial ownership or other claim or interest in any of the Intellectual Property;

(q) the Company and its Subsidiaries have used commercially reasonable efforts to maintain and protect the Intellectual Property owned by the Company and/or any Subsidiary (including, unless otherwise specified, making filings and payments of registration, maintenance, renewal or similar fees and to obtain ownership of such Intellectual Property developed for the Company and/or any Subsidiary by its employees, consultants and contractors (including securing assignment agreements from all former and current employees, consultants and contractors that assign to the Company and/or a Subsidiary all rights, title and interest in and to any such Intellectual Property, and including with respect to all copyrightable Intellectual Property, securing from such employees, consultants and/or contractors waivers of moral rights in writing in favour of the Company, the Subsidiaries and their successors, assignees and licensees)); there are no oppositions, cancellations, invalidity proceedings, interferences or re-examination proceedings pending with respect to any Intellectual Property owned by the Company and/or any Subsidiary or, to the best of the Company's knowledge, threatened or ongoing; all applications for registration of any Intellectual Property owned by the Company and/or any Subsidiary have been properly filed and have been pursued by the Company and the Subsidiaries in the ordinary course of business, and neither the Company nor any of the Subsidiaries has received any notice (whether written, oral or otherwise) indicating that any application for registration of the Intellectual Property owned by the Company and/or any Subsidiary has been finally rejected or denied by the applicable reviewing authority except for any rejection or denial that would not, individually or in the aggregate, have a Material Adverse Effect;

(r) to the best of the Company's knowledge, the conduct of the business of the Company and the Subsidiaries (including, without limitation, the sale of their respective products and services, or the use or other exploitation of the Intellectual Property by the Company, the Subsidiaries or any customers, distributors or other licensees thereof) has not infringed, violated, misappropriated or otherwise conflicted with (and does not infringe, violate, misappropriate or otherwise conflict with) any Intellectual Property right of any person; there is no pending, threatened, or ongoing action, suit, proceeding or claim by others alleging that any current or proposed conduct of their respective businesses (including, without limitation, the sale of their respective products and services, or use or other exploitation of any Intellectual Property by the Company, the Subsidiaries or any customers, distributors or other licensees) infringes, violates, misappropriates or otherwise conflicts with (or would infringe, violate, misappropriate or otherwise conflict with) any Intellectual Property of others, and the Company has no knowledge of any facts which form a reasonable basis for any such claim;

(s) to the best of the Company's knowledge, no person has infringed or misappropriated, or is infringing or misappropriating, any rights of the Company and/or any Subsidiary in or to the Intellectual Property;

(t) the Company has entered into valid and enforceable written agreements pursuant to which the Company has been granted all licenses and permissions to use, reproduce, sub- license, sell, modify, update, enhance or otherwise exploit the Licensed IP to the extent required to conduct the business of the Company and the Subsidiaries as currently conducted or as proposed to be conducted (including, if required, the right to incorporate such Licensed IP into the Intellectual Property). All license agreements in respect of Licensed IP are in full force and effect and none of the Company, any of the Subsidiaries or to the best of the Company's knowledge, any other person, is in default of its obligations thereunder;

(u) to the extent that any of the Intellectual Property is licensed or disclosed to any person or any person has access to such Intellectual Property (including but not limited to any employee, officer, shareholder, consultant, systems-integrator, distributor, contract counterparty, or other customer of the Company or any of the Subsidiaries), the Company has entered into a valid and enforceable written agreement which contains terms and conditions prohibiting the unauthorized use, reproduction, disclosure or transfer of such Intellectual Property by such person. Other than such agreements that have expired in accordance with their respective terms, all such agreements are in full force and effect and none of the Company, any of the Subsidiaries or, to the best of the Company's knowledge, any other person, is in default of its obligations thereunder;

(v) the Company is a reporting issuer in British Columbia, Alberta, Saskatchewan and Ontario, is not in default under the Applicable Securities Laws of the Qualifying Jurisdictions and is not on the list of defaulting issuers maintained by the applicable Securities Commissions in the Qualifying Jurisdictions;

(w) the Company is in compliance with its timely and continuous disclosure obligations under the Applicable Securities Laws of each of the Qualifying Jurisdictions and the policies, rules and regulations of the CSE and, without limiting the generality of the foregoing, there has not occurred any material change (actual, anticipated, contemplated or threatened) in the business, assets (including intangible assets), affairs, operations, prospects, liabilities (contingent or otherwise), capital, assets, properties, condition (financial or otherwise), results of operations or control of the Company and the Subsidiaries taken as a whole since September 23, 2015 which has not been set forth in the Disclosure Record or otherwise publicly disclosed on a non-confidential basis, and the Company has not filed any confidential material change reports since September 23, 2015 which remains confidential as at the date hereof;

(x) to the best of the Company's knowledge, no agreement is in force or effect which in any manner affects the voting or control of any of the securities of the Company or any Subsidiary;

(y) the Company is authorized to issue an unlimited number of Common Shares, of which 110,057,080 Common Shares are issued and outstanding as of the date hereof, and all such issued Common Shares are validly issued and outstanding, and no person, firm or corporation has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming such a right, agreement or option or privilege (whether pre-emptive or contractual), for the issue or allotment of any unissued shares in the capital of the Company or any Subsidiary or any other security convertible into or exchangeable for any such shares, or to require the Company or any Subsidiary to purchase, redeem or otherwise acquire any of the outstanding securities in the capital of the Company or any Subsidiary, except as disclosed in the Disclosure Record, in connection with the Non-Brokered Private Placement and pursuant to the exercise or deemed exercise of the Special Warrants;

(z) the execution and delivery of each of the Transaction Documents and the performance of the transactions contemplated hereby and thereby (including the issuance, sale and delivery of the Special Warrants to be issued and sold by the Company at the Time of Closing, the issuance and delivery of the Unit Shares and Warrants comprising the Underlying Units upon the exercise or deemed exercise of the Special Warrants, the issuance of the Warrant Shares upon exercise of the Warrants, the issuance of the Compensation Options, the issuance of the Compensation Option Shares and Compensation Option Warrants upon exercise of the Compensation Options, and the issuance of the Common Shares issuable upon exercise of the Compensation Option Warrants) have been duly authorized by all necessary corporate action of the Company and each of the Transaction Documents has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, provided that enforcement hereof may be limited by laws affecting creditors' rights generally, that specific performance and other equitable remedies may only be granted in the discretion of a court of competent jurisdiction and that the provisions relating to indemnity, contribution, severability and waiver of contribution may be limited under Applicable Law (the "**Qualification**");

(aa) the execution and delivery of each of the Transaction Documents and the performance of the transactions contemplated hereby and thereby by the Company (including the issuance, sale and delivery of the Special Warrants to be issued and sold by the Company at the Time of Closing, the issuance and delivery of the Unit Shares and Warrants comprising the Underlying Units upon the exercise or deemed exercise of the Special Warrants, the issuance of the Warrant Shares upon exercise of the Warrants, the issuance of the Compensation Options, the issuance of the Compensation Option Shares and Compensation Option Warrants upon exercise of the Compensation Options, and the issuance of the Common Shares issuable upon exercise of the Compensation Option Warrants) do not and will not:

(i) require the consent, approval, authorization, registration or qualification of or with any Governmental Authority, stock exchange, Securities Commission or other third party, except such as have been obtained or such as may be required (and shall be obtained by the Company prior to the Time of Closing) under Applicable Securities Laws or stock exchange regulations, and except for the filing of the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material, as applicable, all in accordance with Applicable Securities Laws, and the Company obtaining the Final Receipt; or

(ii) result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

A. any of the terms, conditions or provisions of the notice of articles, articles, by laws or resolutions of the shareholders, directors or any committee of directors of the Company or any Subsidiary or any material indenture, agreement or instrument to which the Company or any Subsidiary is a party or by which it or they are contractually bound or any judgment, decree or order binding the Company or its Assets and Properties or any Subsidiary or its Assets and Properties; or

B. any statute, rule, regulation or law applicable to the Company or any Subsidiary, including, without limitation, the Applicable Securities Laws, or any judgment, order or decree of any Governmental Authority or court having jurisdiction over the Company; and

(iii) do not affect the rights, duties and obligations of any parties to any material indenture, agreement or instrument to which the Company or any Subsidiary is a party, nor give a party the right to terminate any such indenture, agreement or instrument by virtue of the application of terms, provisions or conditions in such indenture, agreement or instrument;

(bb) the Special Warrants have been duly created and authorized for issuance, and, upon payment of the aggregate Issue Price therefor, the Special Warrants will be validly issued and outstanding as fully paid securities of the Company. The Company has the corporate power, capacity and authority to issue and sell the Special Warrants and the Special Warrants will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(cc) the Unit Shares and the Warrants comprising the Underlying Units have been duly created, authorized and allotted for issuance, and, upon the exercise or deemed exercise of the Special Warrants, (i) in the case of the Unit Shares, will be validly issued and outstanding as fully paid and non-assessable Common Shares in the capital of the Company, and (ii) in the case of the Warrants, will be duly created and validly issued and outstanding as fully paid securities of the Company. The Company has the corporate power, capacity and authority to issue the Unit Shares and the Warrants comprising the Underlying Units, and at the time of issuance thereof, the Unit Shares and the Warrants comprising the Underlying Units will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(dd) the Warrant Shares have been duly created, authorized, allotted and reserved for issuance, and, upon the exercise of the Warrants and payment of the exercise price therefor, will be validly issued and outstanding as fully paid and non-assessable Common Shares in the capital of the Company. The Company has the corporate power, capacity and authority to issue the Warrant Shares and, at the time of issuance thereof, the Warrant Shares will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(ee) the Compensation Options have been duly created and authorized for issuance and have been validly issued and are outstanding as fully paid securities of the Company. The Company has the corporate power, capacity and authority to issue and sell the Compensation Options and the Compensation Options will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(ff) the Compensation Option Shares have been duly created, authorized and allotted for issuance, and, upon the exercise of the Compensation Options and payment of the exercise price therefor, will be validly issued and outstanding as fully paid and non- assessable Common Shares in the capital of the Company. The Company has the corporate power, capacity and authority to issue the Compensation Option Shares and, at the time of issuance thereof, the Compensation Option Shares will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(gg) the Compensation Option Warrants have been duly created, authorized and allotted for issuance, and, upon the exercise of the Compensation Options and payment of the exercise price therefor, will be duly created and validly issued and outstanding as fully paid securities of the Company. The Company has the corporate power, capacity and authority to issue the Compensation Option Warrants and, at the time of issuance thereof, the Compensation Option Warrants will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(hh) the Common Shares issuable upon exercise of the Compensation Option Warrants have been duly created, authorized and allotted for issuance, and, upon the exercise of the Compensation Option Warrants and payment of the exercise price therefor, will be validly issued and outstanding as fully paid and non-assessable Common Shares in the capital of the Company. The Company has the corporate power, capacity and authority to issue the Common Shares issuable upon exercise of the Compensation Option Warrants and, at the time of issuance thereof, the Common Shares issuable upon exercise of the Compensation Option Warrants will not have been issued in violation of or subject to any pre-emptive or contractual rights to purchase securities issued or granted by the Company;

(ii) to the best of the Company's knowledge, there is no legislation or governmental regulation which materially and adversely affect the business, assets (including intangible assets), affairs, operations, prospects, liabilities (contingent or otherwise), capital, assets, properties, condition (financial or otherwise) or results of operations of the Company or any Subsidiary;

(jj) the Common Shares are listed and posted for trading on the CSE and, prior to the Time of Closing, all necessary notices and filings will have been made with and all necessary consents, approvals, authorizations will have been obtained by the Company from the CSE to ensure that, subject to fulfilling the Standard Listing Conditions, the Unit Shares, the Warrant Shares, the Compensation Option Shares and the Common Shares issuable upon exercise of the Compensation Option Warrants, will be listed and posted for trading on the CSE upon their issuance;

(kk) no default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, constitutes a default under or breach of, by the Company, any Subsidiary, or any other person, any material obligation, agreement, covenant or condition contained in any contract, indenture, trust, deed, mortgage, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any Subsidiary is a party or by which it or any of its properties may be bound. No order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Special Warrants, the Underlying Units, the Unit Shares, the Warrants, the Warrant Shares, the Compensation Options, the Compensation Units, the Common Shares or any other security of the Company has been issued or made by any Securities Commission or stock exchange or any other regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the Company's knowledge, are contemplated or threatened by any such authority or under any Applicable Securities Laws;

(ll) except for the approval of the CSE to list the Unit Shares, the Warrant Shares, the Compensation Option Shares and the Common Shares issuable upon exercise of the Compensation Option Warrants, and receipt by the Company of the Final Receipt, there are no third party consents required to be obtained in order for the Company to complete the Offering;

(mm) except for the Agent as provided herein, there is no person, firm or corporation acting for the Company entitled to any brokerage or finder's fee in connection with this Agreement or any of the transactions contemplated hereunder;

(nn) each of the documents forming the Disclosure Record filed since September 23, 2015 by or on behalf of the Company with any Securities Commission or the CSE, did not contain a misrepresentation, determined as at the date of filing, which has not been corrected by the filing of a subsequent document which forms part of the Disclosure Record;

(oo) based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (together, the "**Tax Act**") in force on the date hereof and assuming that any proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof are adopted in the manner proposed, the Special Warrants and the Unit Shares and Warrants comprising the Underlying Units would, if issued on the date hereof, be qualified investments for the purposes of the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (each, a "**Plan**"), each as defined in the Tax Act, provided that at the relevant time, (i) in the case of the Special Warrants and Warrants, neither the Company nor any person with whom the Company does not deal at arm`s length is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Plan, and the Company is a "public corporation" for purposes of the Tax Act and, (ii) in the case of the Unit Shares comprising the Underlying Units, the Company is a "public corporation" for the purposes of the Tax Act;

(pp) the minute books and records of each of the Company and the Subsidiaries made available to counsel for the Agent in connection with its due diligence investigation of the Company and the Subsidiaries for the periods from its date of incorporation to the date of examination thereof are all of the minute books and records of the Company and the Subsidiaries and contain copies of all proceedings (or certified copies thereof) of the shareholders, the boards of directors and all committees of the boards of directors of the Company and the Subsidiaries to the date of review of such corporate records and minute books and other than with respect to the Offering there have been no other meetings, resolutions or proceedings of the shareholders, board of directors or any committees of the board of directors of the Company and the Subsidiaries to the date of review of such corporate records and minute books not reflected in such minute books and other records;

(qq) with respect to each premises which is material to the Company or any Subsidiary and which the Company or any Subsidiary occupies as tenant (the "**Leased Premises**"), the Company or the Subsidiary (as applicable) occupies the Leased Premises and has the exclusive right to occupy and use the Leased Premises and neither the Company nor any Subsidiary is in breach or violation of or in default under any of the leases pursuant to which the Company or the Subsidiary (as applicable) occupies the Leased Premises and to the best of the Company's knowledge, such leases are in good standing and in full force and effect;

(rr) no material labour dispute with current and former employees of the Company or any of the Subsidiaries exists or is imminent and the Company has no knowledge of any existing, threatened or imminent labour disturbance or disruption by the employees of any of the principal suppliers, manufacturers or contractors of the Company;

(ss) the Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged, and the Company has no reason to believe that it will not be able to renew the existing insurance coverage of the Company and the Subsidiaries as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, individually or in the aggregate, have a Material Adverse Effect;

(tt) except in compliance with Applicable Laws, neither the Company nor any Subsidiary has used any of its property or facilities to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any pollutants, contaminants, chemicals or industrial toxic or hazardous waste or substances ("**Hazardous Substances**"); except in compliance with Applicable Laws, neither the Company nor any Subsidiary has caused or permitted the release, in any manner whatsoever, of any Hazardous Substances on or from any of its properties or assets or any such release on or from a facility owned or operated by third parties but with respect to which the Company or a Subsidiary is or may reasonably be alleged to have material liability or has received any notice that it is potentially responsible for a federal, provincial, municipal or local clean-up site or corrective action under any Applicable Laws, statutes, ordinances, by-laws, regulations or any orders, directions or decisions rendered by any ministry, department or administrative regulatory agency relating to the protection of the environment, occupational health and safety or otherwise relating to or dealing with Hazardous Substances in a manner that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect;

(uu) there has not been and there is not currently any labour disruption or conflict which is adversely affecting or could reasonably be expected to adversely affect, in a material manner, the carrying on of the business of the Company or the Subsidiaries;

(vv) each employee benefit plan that is maintained, administered or contributed to by the Company or any of the Subsidiaries for employees or former employees of the Company or the Subsidiaries has been maintained in compliance with its terms and the requirements of any Applicable Laws and the fair market value of the assets of each such plan (excluding for these purposes accrued but unpaid contributions) exceeds the present value of all benefits accrued under such plan determined using reasonable actuarial assumptions;

(ww) the forms and terms of the certificates representing the Common Shares have been approved and adopted by the board of directors of the Company and the form and terms of the certificate representing the Common Shares do not and will not conflict with any Applicable Laws or the rules of the CSE;

(xx) the forms and terms of the certificates representing each of the Special Warrants and the Warrants have been approved and adopted by the board of directors of the Company do not and will not conflict with any Applicable Laws;

(yy) AST Trust Company (Canada), at its principal offices in Vancouver, British Columbia, has been duly appointed as the registrar and transfer agent for the Common Shares;

(zz) AST Trust Company (Canada), at its principal offices in Vancouver, British Columbia, has been duly appointed as special warrant agent under the Special Warrant Indenture;

(aaa) AST Trust Company (Canada), at its principal offices in Vancouver, British Columbia, has been duly appointed as warrant agent under the Warrant Indenture;

(bbb) the business and material property and assets of the Company and the Subsidiaries conform in all material respects to the descriptions thereof contained in the Disclosure Record;

(ccc) all Products and services provided to customers, in whole or in part, by the Company or any Subsidiary and all component parts which are supplied to the Company or any Subsidiary are, to the best of the Company's knowledge, manufactured or provided in full compliance with Applicable Laws and meet industry specific standards set by all organizations which pertain to the business of the Company and each Subsidiary and the Company's and each Subsidiary's Products and services have met and satisfied all product safety standards necessary to permit the sale of the Company's and each Subsidiary's Products and services in the jurisdictions where they are sold;

(ddd) (A) the Company and each of the Subsidiaries possesses such permits, certificates, licences, approvals, registrations, qualifications, consents and other authorizations issued by Governmental Authorities (collectively, "**Governmental Licences**"), as are necessary to conduct the business now operated by it in all jurisdictions in which it carries on business (as such business is currently conducted); (B) the Company and each Subsidiary is in material compliance with the terms and conditions of all such Governmental Licences; (C) all of such Governmental Licences are in good standing, valid and in full force and effect; (D) neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation, suspension, termination or modification of any such Governmental Licences, and there are no facts or circumstances, including without limitation facts or circumstances relating to the revocation, suspension, modification or termination of any Governmental Licenses held by others, known to the Company, that could lead to the revocation, suspension, modification or termination of any such Governmental Licenses if the subject of an unfavourable decision, ruling or finding, except where such revocation, suspension, modification or termination is not in respect of a material Governmental Licence or where such revocation, suspension, modification or termination would not, individually or in the aggregate, have a Material Adverse Effect; (E) neither the Company nor any Subsidiary is in material default with respect to filings to be effected or conditions to be fulfilled in order to maintain such Governmental Licenses in good standing; (F) none of such Governmental Licenses contains any term, provision, condition or limitation which has or would reasonably be expected to affect or restrict in any material respect the operations or the business of the Company or any Subsidiary as now carried on or proposed to be carried on; (G) neither the Company nor any Subsidiary has reason to believe that any party granting any such Governmental Licenses is considering limiting, suspending, modifying, withdrawing or revoking the same in any material respect;

(eee) None of the Company or any of its Subsidiaries has voluntarily or involuntarily initiated, conducted or issued, or caused to be initiated, conducted or issued, any recalls, market withdraws, safety alerts or other notice of material action relating to an actual or potential lack of safety, efficacy or the non-compliance with Applicable Laws of any Product or any clinical or pre-clinical trial related to the development of the Products;

(fff) all clinical and pre-clinical trials related to the development of the Products have been conducted, and to the extent they are still pending are currently being conducted, in accordance with accepted medical, scientific and ethical research procedures and all Applicable Laws;

(ggg) none of the Company or any of its Subsidiaries is subject to any obligation arising under an administrative or regulatory action, inspection, warning letter, notice of violation letter, or other written notice, response or commitment made to or with the United States Food and Drug Administration, Health Canada or any other Governmental Authority, and to Company's knowledge, no such proceedings have been threatened;

(hhh) none of the Company or any of its Subsidiaries, and to the Company's knowledge none of its or its Subsidiaries' officers, directors, and employees (i) are or have been a party to, or bound by, any order, individual integrity agreement, corporate integrity agreement, compliance undertaking or other formal agreement or settlement with any Governmental Authority concerning compliance with Applicable Laws; (ii) have made any filings in the United States pursuant to the OIG or CMS self-disclosure protocol; (iii) have been a defendant in any action, or received a threat of any action, brought under a United States federal or state whistleblower statute, including without limitation the False Claims Act (31 U.S.C. § 3729 et seq.); and (iv) have been served with or received any written search warrant, subpoena (other than those related to actions against third parties), civil investigative demand or contact letter from a Governmental Authority;

(iii) all forward-looking information and statements of the Company contained in the Disclosure Record, including any forecasts and estimates, expressions of opinion, intention and expectation have been based on assumptions that are reasonable in the circumstances, and the Company has updated such forward-looking information and statements as required by and in compliance with Applicable Securities Laws;

(jjj) the statistical, industry and market related data included in the Disclosure Record are derived from sources which the Company reasonably believes to be accurate, reasonable and reliable, and such data is consistent with the sources from which it was derived;

(kkk) all information which has been prepared by the Company relating to the Company or any of the Subsidiaries and the business, property and liabilities thereof and provided or made available to the Agent, and all financial, marketing, sales and operational information provided to the Agent is, as of the date of such information, true and correct in all material respects, taken as whole, and no fact or facts have been omitted therefrom which would make such information materially misleading;

(lll) (i) the responses given by the Company and its officers at all oral due diligence sessions conducted by the Agent in connection with the Offering, as they relate to matters of fact, have been and shall continue to be true and correct in all material respects as at the time such responses have been or are given, as the case may be, and such responses taken as a whole have not and shall not omit any fact or information necessary to make any of the responses not misleading in light of the circumstances in which such responses were given or shall be given, as the case may be; and (ii) where the responses reflect the opinion or view of the Company or its officers (including responses or portions of such responses which are forward-looking or otherwise relate to projections, forecasts, or estimates of future performance or results (operating, financial or otherwise)), such opinions or views have been and will be honestly held and believed to be reasonable at the time they are given;

(mmm) the Company is not insolvent (within the meaning of Applicable Laws), is able to pay its liabilities as they become due and has sufficient working capital to fund its operations for at least 12 months following the Closing Date;

(nnn) the Company has not withheld from the Agent any adverse material facts relating to the Company, any of the Subsidiaries or the Offering;

(ooo) the Company (i) has not made any significant acquisitions as such term is defined in Part 8 of NI 51-102 in its current financial year or prior financial years in respect of which historical and/or pro forma financial statements or other information would be required to be included or incorporated by reference into the Preliminary Qualification Prospectus or the Final Qualification Prospectus and for which a business acquisition report has not been filed under NI 51-102, (ii) has not entered into any agreement or arrangement in respect of a transaction that would be a significant acquisition for purposes of Part 8 of NI 51-102, and (iii) there are no proposed acquisitions by the Company that have progressed to the state where a reasonable person would believe that the likelihood of the Company completing the acquisition is high and would be a significant acquisition for the purposes of Part 8 of NI 51-102 if completed as of the date hereof;

(ppp) each benefit plan or pension plan administered or provided by the Company or any of its Subsidiaries is duly registered where required by Applicable Laws (including registration with relevant tax authorities where such registration is required to qualify for tax exemption or other tax beneficial status). Each benefit plan or pension plan has been administered in compliance in all material respects with, and is in good standing under, Applicable Laws. Neither the Company nor any Subsidiary contributes to or has an obligation to contribute to a plan, program or arrangement that provides defined benefit pensions or for which the funding is determined by reference to a defined benefit. The Company does not have any outstanding indebtedness or any liabilities or obligations, including any unfunded obligation, under any such benefit plan or pension plan, whether accrued, absolute, contingent or otherwise;

(qqq) the Company is not currently party to any agreement in respect of the change of control of the Company (whether by sale or transfer of shares or sale of all or substantially all of the assets and properties of the Company or otherwise);

(rrr) all scientific research and experimental development ("**SR&ED**") tax incentives applied for by the Company or a Subsidiary, if any, are bona fide and the Company has no knowledge that Canada Revenue Agency will disallow, reassess or reduce any such SR&ED incentives applied for by or previously granted to the Company or a Subsidiary;

(sss) all statements made in the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material, as applicable, describing the Special Warrants, Underlying Units, Unit Shares, Warrants, Warrant Shares, Compensation Securities, and the respective attributes thereof will be complete and accurate in all material respects;

(ttt) all information and statements contained in the Marketing Presentation: (i) are true and correct in all material respects at the time of delivery of the Marketing Presentation; (ii) contain no misrepresentation relating to the Company and its Subsidiaries or the Offering; and (iii) does not omit any material fact or information which is necessary to make the statements or information contained therein not misleading in light of the circumstances under which they were made;

(uuu) the Company and the Subsidiaries and their directors, officers, employees and other representatives are familiar with and have conducted all transactions, negotiations, discussions and dealings in full compliance with anti-bribery and anti-corruption laws and regulations applicable in any jurisdiction in which they are located or conducting business. Neither the Company nor any Subsidiary has made any offer, payment, promise to pay, or authorization of payment of money or anything of value to any government official, or any other person while having reasonable grounds to believe that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a government official, for the purpose of (i) assisting the parties in obtaining, retaining or directing business; (ii) influencing any act or decision of a government official in his or its official capacity; (iii) inducing a government official to do or omit to do any act in violation of his or its lawful duty, or to use his or its influence with a government or instrumentality thereof to affect or influence any act or decision of such government or department, agency, instrumentality or entity thereof; or (iv) securing any improper advantage;

(vvv) the operations of the Company and the Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority (collectively, the "**Applicable Anti-Money Laundering Laws**") and no action, suit or proceeding by or before any Governmental Authority involving the Company or any Subsidiary with respect to Applicable Anti- Money Laundering Laws is, to the knowledge of the Company, pending or threatened;

(www) the Company will have filed a current annual information form in the form prescribed by NI 51-102 in each of the Qualifying Jurisdictions upon or prior to the filing of the Preliminary Qualification Prospectus; the Company is as of the date hereof an Eligible Issuer in the Qualifying Jurisdictions and, on the dates of and upon filing of the Preliminary Qualification Prospectus and the Final Qualification Prospectus, has been and will continue to be an Eligible Issuer in the Qualifying Jurisdictions and there will be no documents required to be filed under the Applicable Securities Laws of the Qualifying Jurisdictions in connection with the Offering of the Special Warrants that will not have been filed as required as at those respective dates;

(xxx) the Unit Shares, Warrants and Warrant Shares will at the Time of Closing qualify as eligible investments and the Company will not take or permit any action within its control which would cause the Unit Shares, Warrants or Warrant Shares to cease to be qualified, during the period of distribution of the Special Warrants, as eligible investments to the extent so described in the Final Qualification Prospectus; and

(yyy) at the time of delivery thereof to the Agent:

(i) the Preliminary Qualification Prospectus, the Final Qualification Prospectus and all Supplementary Material, if any, will comply, fully with the requirements of Applicable Securities Laws;

(ii) the Preliminary Qualification Prospectus, the Final Qualification Prospectus and all Supplementary Material, if any, will provide, full, true and plain disclosure of all material facts relating to the Company (on a consolidated basis) and the Special Warrants; and

(iii) the Preliminary Qualification Prospectus, the Final Qualification Prospectus and all Supplementary Material, if any, will not contain any misrepresentation.

9. Covenants of the Company

The Company covenants and agrees with the Agent and the Purchasers, and acknowledges that each of them is relying on such covenants in connection with the purchase by the Purchasers of Special Warrants, that the Company:

(a) will advise the Agent, promptly after receiving notice thereof, of the time when the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material has been filed and Passport Receipts have been obtained and will provide evidence satisfactory to the Agent of each such filing and copies of such Passport Receipts;

(b) will advise the Agent, promptly after receiving notice or obtaining knowledge thereof, of:

(i) the issuance by any Securities Commission of any order suspending or preventing the Offering, the use of the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material or suspending or seeking to suspend the trading or distribution of the Unit Shares, Warrants or Warrant Shares; (ii) the suspension of the qualification of the Underlying Units, Unit Shares or Warrants for distribution in any of the Qualifying Jurisdictions; (iii) the institution, threatening or contemplation of any proceeding for any such purposes; or (iv) any requests made by any Securities Commission for amending or supplementing the Preliminary Qualification Prospectus or the Final Qualification Prospectus or any Supplementary Material or for additional information, and will use its reasonable best efforts to prevent the issuance of any order or any suspension respectively referred to in (i) or (ii) above and, if any such order is issued, to obtain the withdrawal thereof as promptly as possible or if any such suspension occurs, to promptly remedy such suspension in accordance with this Agreement;

(c) will use its commercially reasonable efforts to remain, and to cause each of the Subsidiaries to remain, a corporation validly subsisting under the laws of its jurisdiction of incorporation or amalgamation, and to be duly licensed, registered or qualified as an extra-provincial or foreign corporation or entity in all jurisdictions where the character of its properties owned or leased or the nature of the activities conducted by it make such licensing, registration or qualification necessary and to carry on its business in the ordinary course and in compliance in all material respects with all Applicable Laws, rules and regulations of each such jurisdiction; provided that the Company shall not be required to comply with this Section 9(c) following the completion of a merger, amalgamation, arrangement, business combination or take-over bid pursuant to which the Company ceases to be a "reporting issuer" (within the meaning of Applicable Securities Laws);

(d) will use its commercially reasonable efforts to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of the Applicable Securities Laws of each of the Qualifying Jurisdictions which have such a concept and will comply with all of its obligations under Applicable Laws; provided that the Company shall not be required to comply with this Section 9(d) following the completion of a merger, amalgamation, arrangement, business combination or take-over bid pursuant to which the Company ceases to be a "reporting issuer" (within the meaning of Applicable Securities Laws);

(e) will use its commercially reasonable efforts (including, without limitation, making application to the Securities Commissions of each Qualifying Jurisdiction for all consents, orders and approvals necessary) to maintain the listing of the Common Shares and the Warrants on the CSE or such other recognized stock exchange or quotation system as the Agent may approve, acting reasonably, provided that the Company shall not be required to comply with this Section 9(e) following the completion of a merger, amalgamation, arrangement, business combination or take-over bid pursuant to which the Company ceases to be a "reporting issuer" (within the meaning of Applicable Securities Laws);

(f) will use its commercially reasonable efforts to ensure that the Unit Shares, the Warrant Shares, the Compensation Option Shares and the Common Shares issuable upon exercise of the Compensation Option Warrants, are, when issued, listed and posted for trading on the CSE upon their date of issuance;

(g) will apply the net proceeds from the issue and sale of the Special Warrants as set forth in the Subscription Agreements;

(h) will promptly do, make, execute, deliver or cause to be done, made, executed or delivered, all such acts, documents and things as the Agent may reasonably require from time to time for the purpose of giving effect to the Transaction Documents and the Company will use its commercially reasonable efforts to implement to their full extent the provisions, and to satisfy the conditions, of each of the Transaction Documents;

(i) will forthwith notify the Agent of any breach of any covenant of this Agreement or any other Transaction Document, or any Ancillary Documents, by any party thereto, or upon it becoming aware that any representation or warranty of the Company contained in this Agreement or any other Transaction Document or any Ancillary Document, is or has become untrue or inaccurate in any material respect;

(j) will not, at any time prior to the closing of the Offering, halt the trading of the Common Shares on the CSE without the prior written consent of the Agent;

(k) will not, at any time prior to the date that is six months following the Closing Date, deliver any notice to the holders of its outstanding warrants exercisable at $0.12 per Common Share and expiring in August 2022 that the Company is accelerating the expiry date of such warrants;

(l) subject to (k) above, will not, until after the Qualification Date, deliver any notice to the holders of its other outstanding warrants (including the outstanding warrants issued pursuant to the Company's previously completed public offering dated November 1, 2019 exercisable at $0.12 per Common Share) that the Company is accelerating the expiry date of such warrants;

(m) will make available management of the Company for meetings with investors as scheduled by the Agent at the discretion of the Agent upon reasonable notice to the Company;

(n) will fulfil or cause to be fulfilled, at or prior to the Time of Closing, each of the conditions applicable to the Company set out in Section 10 that are within its control (unless waived by the Agent);

(o) on the dates of and upon filing of the Preliminary Qualification Prospectus and the Final Qualification Prospectus, the Company will be an Eligible Issuer in the Qualifying Jurisdictions and there will be no documents required to be filed under the Applicable Securities Laws in connection with the Preliminary Qualification Prospectus or the Final Qualification Prospectus that will not have been filed as required as at those respective dates;

(p) the Company will use the net proceeds of the Offering as set forth in the Subscription Agreements;

(q) will ensure that, at the Time of Closing, the Special Warrants are duly and validly created, authorized and issued on payment of the purchase price therefor and have attributes corresponding in all material respects to the description thereof set forth in this Agreement and the Subscription Agreements;

(r) will ensure that the Non-Brokered Private Placement is conducted in a manner that is in compliance with Applicable Securities Laws;

(s) will ensure that at all times a sufficient number of Unit Shares, Warrant Shares, Compensation Option Shares and the Common Shares issuable upon exercise of the Compensation Option Warrants, are duly and validly allotted and reserved for issuance upon the respective exercise or deemed exercise of the Special Warrants, the Warrants, the Compensation Options and the Compensation Option Warrants;

(t) will ensure that, upon the exercise or deemed exercise of the Special Warrants, the Unit Shares are duly issued as fully paid and non-assessable Common Shares in the capital of the Company and the Warrants are duly created and issued Warrants as fully paid securities of the Company;

(u) will ensure that, upon exercise of the Warrants, the Warrants Shares are duly issued as fully paid and non-assessable Common Shares in the capital of the Company;

(v) will ensure that, upon exercise of the Compensation Options, the Compensation Option Shares are duly issued as fully paid and non-assessable Common Shares in the capital of the Company and the Compensation Option Warrants are duly created and issued Compensation Option Warrants as fully paid securities of the Company;

(w) will ensure that, upon exercise of the Compensation Option Warrants, the Common Shares issuable upon exercise of the Compensation Option Warrants are duly issued as fully paid and non-assessable Common Shares in the capital of the Company;

(x) will use commercially reasonable best efforts to ensure that the Qualification Date occurs prior to the Qualification Deadline;

(y) in connection with the issuance of the Special Warrants, will execute and file with the Securities Commissions all forms, notices and certificates required to be filed pursuant to Applicable Securities Laws in the Selling Jurisdictions within prescribed time periods;

(z) until the Qualification Date, will consult in good faith with the Agent as to the content and form of any press release relating to the Offering or the Final Qualification Prospectus or the transactions contemplated therein; and

(aa) will take all necessary corporate action to authorize the execution and delivery of each of the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material and the filing thereof with the Securities Commissions.

10. Conditions of Closing

The obligations of the Agent hereunder with respect to the Offering will be subject to the completion by the Agent of a due diligence review satisfactory to the Agent in its sole judgment and to the satisfaction (or waiver by the Agent in its sole discretion) of the following additional conditions, as applicable, which conditions the Company covenants to exercise its commercially reasonable efforts to have fulfilled on or prior to the Time of Closing or any Option Closing Date, as applicable:

(a) The Agent will receive at the Time of Closing a legal opinion addressed to the Agent and its counsel, Fasken Martineau DuMoulin LLP, dated and delivered the Closing Date from the Company's counsel, McMillan LLP, and from local counsel (in respect of matters governed by laws of the Qualifying Jurisdiction where the Company's Canadian counsel is not qualified to practice), in each case in form and substance satisfactory to the Agent and its counsel, acting reasonably, with respect to the following matters, subject to such reasonable assumptions and qualifications customary with respect to transactions of this nature as may be accepted by Agent's counsel:

(i) the Company is a corporation duly created and validly existing under the BCBCA, amalgamated or continued, as the case may be, and has all requisite corporate power, capacity and authority to carry on its business as now conducted and to own, lease and operate its property and assets;

(ii) as to the authorized and issued capital of the Company;

(iii) the Special Warrants have been duly and validly created, authorized and issued;

(iv) the Unit Shares and Warrants comprising the Underlying Units have been duly and validly created authorized, allotted and reserved for issuance and, upon the issue thereof upon the exercise or deemed exercise of the Special Warrants in accordance with the terms of the Special Warrant Indenture, will be validly issued and outstanding, in the case of the Unit Shares, as fully paid and non- assessable Common Shares in the capital of the Company;

(v) the Warrant Shares underlying the Warrants have been duly and validly created, authorized, allotted and reserved for issuance and, upon the issue thereof upon the exercise of the Warrants in accordance with the terms of the Warrant Indenture, will be validly issued and outstanding as fully paid and non-assessable Common Shares in the capital of the Company;

(vi) the Compensation Options have been duly and validly created, authorized and issued;

(vii) the Compensation Option Shares underlying the Compensation Options have been duly and validly created, authorized, allotted and reserved for issuance and, upon the issue thereof upon the exercise of the Compensation Options in accordance with the terms of the Compensation Option Certificate, will be validly issued and outstanding as fully paid and non-assessable Common Shares in the capital of the Company;

(viii) the Compensation Option Warrants underlying the Compensation Options have been duly and validly created, authorized, allotted and reserved for issuance;

(ix) the Common Shares underlying the Compensation Option Warrants have been duly and validly created, authorized, allotted and reserved for issuance and, upon the issue thereof upon the exercise of the Compensation Option Warrants in accordance with the terms thereof, will be validly issued and outstanding as fully paid and non-assessable Common Shares in the capital of the Company;

(x) the form and terms of the definitive certificate representing the Common Shares and the certificate representing the Special Warrants (if any) have been approved by the directors of the Company and comply in all material respects with the BCBCA, the constating documents of the Company and the rules of the CSE;

(xi) the Company has all necessary corporate power and capacity: (i) to execute and deliver the Transaction Documents and perform its obligations thereunder; (ii) to create, issue and sell the Special Warrants; (iii) to allot, reserve for issuance and issue the Unit Shares and Warrants comprising the Underlying Units issuable upon exercise or deemed exercise of the Special Warrants, (iv) to allot, reserve for issuance and issue the Warrant Shares issuable upon exercise of the Warrants;
(v) to create and issue the Compensation Options; (vi) to allot, reserve for issuance and issue the Compensation Option Shares issuable upon exercise of the Compensation Options; (vii) to allot, reserve for issuance and issue the Compensation Option Warrants issuable upon exercise of the Compensation Options; (viii) to allot, reserve for issuance and issue the Common Shares issuable upon exercise of the Compensation Options Warrants;

(xii) the Company has duly authorized, executed and delivered, the Transaction Documents and the performance of its obligations under the Transaction Documents, including the creation, offering, issue, sale and delivery of the Special Warrants, the creation and grant of the Agent's Option and the creation, issue and delivery of the Unit Shares and Warrants comprising the Underlying Units upon exercise or deemed exercise of the Special Warrants, the issuance and delivery of the Warrant Shares upon exercise of the Warrants, the creation and issuance of the Compensation Options, the issuance and delivery of the Compensation Option Shares upon the exercise of the Compensation Options, the issuance and delivery of the Compensation Option Warrants upon the exercise of the Compensation Options, the issuance and delivery of the Common Shares issuable upon the exercise of the Compensation Option Warrants, and each of the Transaction Documents constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the Qualification;

(xiii) the execution and delivery of the Transaction Documents and the fulfillment of the terms thereof, the issue and sale of the Special Warrants, the creation, issue and grant of the Agent's Option, the creation, issue and sale of the Unit Shares and Warrants comprising the Underlying Units upon the exercise or deemed exercise of the Special Warrants, the issuance and delivery of the Warrant Shares upon exercise of the Warrants, the creation and issuance of the Compensation Options, the issuance and delivery of the Compensation Option Shares upon the exercise of the Compensation Options, the issuance and delivery of the Compensation Option Warrants upon the exercise of the Compensation Options, the issuance and delivery of the Common Shares upon the exercise of the Compensation Option Warrants, and the consummation of the transactions contemplated by the Transaction Documents, do not conflict with or result in a breach of (whether after notice or lapse of time or both) or constitute a default under any of the terms, conditions or provisions of the notice of articles, articles of incorporation or amalgamation, as applicable, by-laws or resolutions of the shareholders or the board of directors (or any committee thereof) of the Company or any laws of the Province of British Columbia or federal laws of Canada applicable therein;

(xiv) subject to the usual qualifications, that except as disclosed in the Disclosure Record, to such counsel's knowledge, there is no action, suit, proceeding or inquiry before any court, Governmental Authority to which the Company is a party or to which its property is subject which in any way would materially and adversely affect the Company;

(xv) AST Trust Company (Canada) is the duly appointed registrar and transfer agent for the Common Shares;

(xvi) AST Trust Company (Canada) has been appointed the special warrant agent in respect of the Special Warrants and as warrant agent in respect of the Warrants;

(xvii) the issuance and sale by the Company of the Special Warrants to the Purchasers in the Qualifying Jurisdictions in accordance with the Subscription Agreements and the issuance by the Company of the Compensation Options to the Agent in accordance herewith are exempt from the prospectus requirements of Applicable Securities Laws and no prospectus or other documents are required to be filed (other than specified forms accompanied by requisite filing fees), no proceedings taken or approvals, permits, consents, orders or authorizations obtained under the Applicable Securities Laws to permit such issuances and sales;

(xviii) the issuance to holders of Special Warrants of the Unit Shares and Warrants comprising the Underlying Units pursuant to and in accordance with the terms and conditions of the Special Warrant Indenture is exempt from the prospectus requirements of Applicable Securities Laws and no prospectus or other documents are required to be filed, proceedings taken or approvals, permits, consents, orders or authorizations obtained under the Applicable Securities Laws to permit such issuance;

(xix) the issuance to the Agent of the Compensation Option Shares and Compensation Option Warrants comprising the Compensation Options in accordance with the terms and conditions of the Compensation Option certificate, and the issuance to the Agent of the Common Shares underlying Compensation Option Warrants in accordance with the terms and conditions of the Compensation Option Certificate, are exempt from the prospectus requirements of Applicable Securities Laws and no prospectus or other documents are required to be filed, proceedings taken or approvals, permits, consents, orders or authorizations obtained under the Applicable Securities Laws to permit such issuance;

(xx) that no other documents will be required to be filed, proceedings taken or approvals, permits, consents or authorizations obtained under the Applicable Securities Laws in connection with the first trade of the Special Warrants or the Unit Shares and Warrants comprising the Underlying Units or the Warrant Shares or the Compensation Option Shares, Compensation Option Warrants or the Common Shares underlying the Compensation Option Warrants, provided that four months have lapsed since the Closing Date, subject to the usual qualifications;

(xxi) if a Final Qualification Prospectus qualifying the distribution of the Underlying Units has been filed with, and a Final Receipt has been issued by the BCSC pursuant to the Passport System and provided the Final Qualification Prospectus is delivered to the holder of Special Warrants prior to the exercise of the same, the first trade by a holder of: (A) such Unit Shares and Warrants comprising the Underlying Units, the Warrant Shares, the Compensation Option Shares, the Compensation Option Warrants, and the Common Shares underlying the Compensation Option Warrants, will not be subject to any statutory hold period or restricted period under Applicable Securities Laws, and (B) no documents will be required to be filed, proceedings taken or approvals, permits, consents or authorizations obtained under the Applicable Securities Laws in order to permit the first trade of such Unit Shares and Warrants comprising the Underlying Units in the Qualifying Jurisdictions through registrants registered under Canadian Securities Laws who have complied with such laws, provided that such sale is not a "control distribution" within the meaning of NI 45-102;

(xxii) the Company is a "reporting issuer", or its equivalent, in British Columbia, Alberta, Saskatchewan and Ontario, and it is not listed as in default of any requirement of the Applicable Securities Laws in any of the Qualifying Jurisdictions which maintain such a list;

(xxiii) the Class A common shares of the Company are listed on the CSE; and

(xxiv) as to all other legal matters reasonably requested by counsel to the Agent prior to the Time of Closing.

In connection with such opinion, counsel to the Company may rely on the opinions of local counsel in the Qualifying Jurisdictions acceptable to counsel to the Agent, acting reasonably, as to the qualification for distribution of the Special Warrants and Unit Shares and Warrants comprising the Underlying Units or opinions may be given directly by local counsel of the Company with respect to those items and as to other matters governed by the laws of jurisdictions other than the province or provinces in which the Company's Canadian counsel are qualified to practice and may rely, to the extent appropriate in the circumstances but only as to matters of fact, on certificates of officers of the Company and others;

(b) if any Special Warrants are sold in the United States or to, or for the account or benefit of, U.S. Persons, the Agent shall have received a favourable legal opinion addressed to the Agent, in form and substance satisfactory to the Agent, acting reasonably, dated as of the Closing Date, from the U.S. counsel to the Company, McMillan LLP, to the effect that registration of the Special Warrants and Unit Shares and Warrants comprising the Underlying Units is not required under the U.S. Securities Act in connection with the offer and sale of such Special Warrants in the United States pursuant to this Agreement;

(c) the Agent shall have received legal opinions from legal counsel to, and duly qualified to practice law in the jurisdiction of formation of, Algernon Pharmaceuticals Inc., addressed to the Agent and legal counsel to the Agent with respect to: (i) the incorporation and existence of such Subsidiary; (ii) the issued and outstanding securities of such Subsidiary and the holders of such outstanding securities; (iii) the power and capacity of such Subsidiary to carry on its business and activities and to own and lease its property and assets; such opinion to be in form and substance, acceptable in all reasonable respects to the Agent and its legal counsel;

(d) the Agent shall have received a certificate dated the Closing Date, signed by the Chief Executive Officer and Chief Financial Officer of the Company or any other senior officer(s) of the Company as may be acceptable to the Agent, in form and content satisfactory to the Agent's counsel, acting reasonably, with respect to:

(i) the notice of articles, articles and by laws of the Company;

(ii) the resolutions of the Company's board of directors relevant to the issue and sale of the Special Warrants to be issued and sold by the Company, the allotment and reservation of the Unit Shares and Warrants comprising the Underlying Units, the Warrant Shares, the Compensation Securities, and the authorization of this Agreement and the other Transaction Documents; and

(iii) the incumbency and signatures of signing officers of the Company;

(e) the Agent shall have received a certificate of status or the equivalent dated within one Business Day of the Closing Date, in respect of the Company and the Subsidiaries;

(f) the Company shall deliver to the Agent, at the Time of Closing, certificates dated the Closing Date addressed to the Agent and signed by the Chief Executive Officer of the Company and the Chief Financial Officer of the Company, or such other senior officer(s) of the Company as may be acceptable to the Agent, certifying for and on behalf of the Company and without personal liability, after having made due enquiries, to the effect that:

(i) the Company has complied in all respects with all the covenants and satisfied all the terms and conditions of this Agreement and the other Transaction Documents on its part to be complied with and satisfied at or prior to the Time of Closing;

(ii) the representations and warranties of the Company contained herein are true and correct in all material respects (or, in the case of any representation or warranty containing a materiality or Material Adverse Effect qualification, in all respects) as at the Time of Closing with the same force and effect as if made on and as at the Time of Closing after giving effect to the transactions contemplated hereby;

(iii) to the knowledge of such persons, no order, ruling or determination having the effect of ceasing the trading or suspending the sale of the Special Warrants, Underlying Units, Unit Shares, Warrants, Warrant Shares, Compensation Options or Compensation Option Shares to be issued by the Company has been issued and no proceedings for such purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened;

(iv) there has been no change in any material fact (which includes the disclosure of any previously undisclosed material fact) contained in the Disclosure Record which fact or change is, or may be, of such a nature as to render any statement in the Disclosure Record misleading or untrue in any material respect or which would result in a misrepresentation in the Disclosure Record or which would result in the Disclosure not complying with Applicable Securities Laws; and

(v) such other matters as the Agent may reasonably request prior to the Time of Closing;

(g) the Agent shall have received copies of correspondence indicating that the Company has obtained all necessary approvals for the Unit Shares, Warrant Shares and Compensation Option Shares to be listed on the CSE, subject only to the Standard Listing Conditions;

(h) the representations and warranties of the Company contained in this Agreement will be true and correct in all material respects (or, in the case of any representation or warranty containing a materiality or Material Adverse Effect qualification, in all respects) at and as of the Time of Closing on the Closing Date, as if such representations and warranties were made at and as of such time and all agreements, covenants and conditions required by this Agreement to be performed, complied with or satisfied by the Company will have been performed, complied with or satisfied prior to that time;

(i) the absence of any misrepresentations in the Disclosure Record or undisclosed material change or undisclosed materials fact relating to the Company or the Special Warrants, Underlying Units, Unit Shares, Warrants, Warrant Shares, Compensation Options or Compensation Option Shares;

(j) the Non-Brokered Private Placement shall be completed contemporaneously with the Offering, and the Agent shall have received evidence thereof;

(k) the Agent shall have completed its due diligence review of the Company and its Subsidiaries to its satisfaction acting reasonably;

(l) the Agent shall have received a certificate from Computershare Investor Services Inc. as to the number of Common Shares issued and outstanding as at the date immediately prior to the Closing Date;

(m) the Agent will have received such other certificates, opinions, agreements or closing documents in form and substance reasonably satisfactory to the Agent as the Agent may reasonably request prior to the Time of Closing; and

(n) each of the directors and executive officers of the Company (the "**Locked-Up Persons**") will execute agreements, in favour of the Agent, agreeing that, provided the Offering is completed, they will not, directly or indirectly, without the prior written consent of the Agent, offer, sell, contract to sell, lend, swap, or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with, or publicly announce any intention to offer, sell, contract to sell, grant or sell any option to purchase, hypothecate, pledge, transfer, assign, purchase any option or contract to sell, lend, swap, or enter into any agreement to transfer the economic consequences of, or otherwise dispose of or deal with, whether through the facilities of a stock exchange, by private placement or otherwise, any Common Shares or other equity securities of the Company (or securities convertible or exercisable into Common Shares or other equity securities) held by them, directly or indirectly, on the Closing Date (the "**Locked-Up Securities**") for a period beginning on the Closing Date and ending on the day that is the earlier of (i) September 14, 2020 and (ii) the third business day following the day the Company obtains the Final Receipt (such period being the "**Lock-up Period**"), except in respect of the following: (a) transfers to affiliates of the Locked-up Persons, or any company, trust or other entity owned by or maintained for the benefit of the Locked-up Persons, or (b) transfers occurring by operation of law or in connection with transactions arising as a result of the death of the Locked-up Persons; provided, in each of (a) and (b), that any such transferee shall first execute a lock up agreement in substantially the same form agreed to with the Agent covering the remainder of the Lock-up Period, or (c) transfers made pursuant to a bona fide take-over bid made to all holders of voting securities of the Company or similar acquisition or merger transaction, provided that in the event that the take-over or acquisition or merger transaction is not completed, any securities shall remain subject to the restrictions contained in the undertaking, or (d) transfers to any nominee or custodian where there is no change in beneficial ownership, for bona fide tax planning purposes including, but not limited to, transfers into a registered retirement savings plan and where the Locked-Up Securities are still subject to and governed by the original lock-up agreement.

11. Closing

The closing of the purchase and sale of the Special Warrants shall be completed at the Time of Closing at the Vancouver offices of McMillan LLP or at such other place as the Company and the Agent may agree in writing. At the Time of Closing:

(a) the Company will deliver to the Agent, or as the Agent may direct, (i) one or more certificates in definitive form representing the Special Warrants or a direct deposit of the Special Warrants into the non-certificated inventory system of CDS, in each case registered in the name of "CDS & Co." or in such other name or names as the Agent may notify the Company in writing not less than 48 hours prior to the Time of Closing, and (ii) one or more certificates in definitive form representing the Compensation Options, in each case registered in such name or names as the Agent shall notify the Company in writing not less than 48 hours prior to the Time of Closing, and (iii) all further documentation as may be contemplated in this Agreement or as counsel to the Agent may reasonably require; against payment by the Agent to the Company of the applicable purchase amount for the Special Warrants being issued and sold under this Agreement, net of the Cash Fee and the Agent's expenses contemplated in Section 15 of this Agreement, by certified cheque, bank draft or wire transfer payable to or as directed by the Company not less than 48 hours prior to the Time of Closing; and

(b) the Company shall make all necessary arrangements for the exchange of any such definitive certificates, on the date of delivery, at the principal offices of the registrar of the Company in the City of Vancouver for certificates representing the Special Warrants in such amounts and registered in such names as shall be designated by the Agent not less than 48 hours prior to the Time of Closing. The Company shall pay all fees and expenses payable to or incurred by the registrar of the Company in connection with the preparation, delivery, certification and exchange of any definitive certificates contemplated by this Section 11 and the fees and expenses payable to or incurred by the registrar of the Company in connection with such additional transfers required in the course of the distribution of the Special Warrants, which fees and expenses may be deducted by the Agent from the aggregate gross proceeds of the Offering.

12. Restrictions on Further Issues or Sales

During the period commencing on the date hereof and ending 120 days after the Closing Date, it will not, directly or indirectly, without the prior written consent of the Agent, such consent not to be unreasonably withheld or delayed, issue, sell, offer, grant an option or right in respect of, or otherwise dispose of, or enter into any derivative transaction that has the effect of the foregoing, or agree to or announce any intention to issue, sell, offer, grant an option or right in respect of, or otherwise dispose of, or enter into any derivative transaction that has the effect of the foregoing, any additional Common Shares, equity securities or debt securities, or any securities convertible into or exchangeable for Common Shares, equity securities or debt securities, in each case by way of a brokered or non-brokered transaction, except in conjunction with (i) any equity securities which may be issued from time to time as agreed to in employee compensation agreements, (ii) any existing option/warrant obligations, (iii) the grant of stock options or other similar issuances pursuant to the share incentive plan(s) of the Company, (iv) in connection with acquisitions in normal course or other existing obligations, (v) the Offering, or (vi) the Non-Brokered Private Placement.

13. Indemnification by the Company

(a) The Company shall fully indemnify and save harmless the Agent and its affiliates and its and their respective directors, officers, employees, shareholders, partners, advisors and agents and each other person, if any, controlling the Agent or its affiliates (collectively, the "**Indemnified Parties**" and individually an "**Indemnified Party**") from and against any and all liabilities, claims (including securityholder actions, derivative or otherwise), actions, losses (other than loss of profits), costs, damages and expenses (including the aggregate amount paid in settlement of any action, suit, proceeding, investigation or claim) whether joint or several, and the reasonable fees and expenses of their counsel (collectively, "**Losses**") that may be incurred in advising with respect to and/or defending any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party or in enforcing this indemnity (collectively, the "**Claims**" and individually, a "**Claim**") to which any Indemnified Party may become subject or otherwise involved in any capacity insofar as the Losses and/or Claims relate to, are caused by, result from, arise out of or are in consequence of, or are in connection with, directly or indirectly:

(i) the breach of any representation or warranty of the Company made in any Transaction Document or Ancillary Document or the failure of the Company to comply with any of its covenants or other obligations in any Transaction Document or Ancillary Document or to satisfy any conditions contained in any Transaction Document or Ancillary Document required to be satisfied by the Company or any omission or alleged omission to state in any Transaction Document or Ancillary Document any fact required to be stated in such document or necessary to make any statement in such document not misleading in light of the circumstances under which it was made;

(ii) any information or statement (except any information or statement relating solely to the Agent and furnished in writing by the Agent to the Company) in any of the Offering Documents (including, for greater certainty, the Documents Incorporated by Reference, the Marketing Presentation and any Subsequent Disclosure Documents) containing or being alleged to contain a misrepresentation or being or being alleged to be untrue, or based upon any omission or alleged omission to state in any of the Offering Documents any material fact required to be stated in those documents or necessary to make any of the statements therein not misleading in light of the circumstances in which they were made;

(iii) any order made or any inquiry, investigation or proceeding instituted, threatened or announced by any court, securities regulatory authority, stock exchange or by any other competent authority, based upon any untrue statement, omission or misrepresentation or alleged untrue statement, omission or misrepresentation (except a statement, omission or misrepresentation relating solely to the Agent and furnished in writing by the Agent to the Company) contained in any of the Offering Documents or any other document or material filed or delivered on behalf of the Company pursuant to this Agreement or the other Transaction Documents, preventing or restricting the trading in or the sale or distribution of the Special Warrants, Underlying Units, Unit Shares, Warrants, Warrant Shares, Compensation Securities or any other securities of the Company;

(iv) the non-compliance or alleged non-compliance by the Company with any Applicable Securities Laws or other regulatory requirements or the rules of the CSE including the Company's non-compliance with any statutory requirement to make any document available for inspection;

(v) any statement contained in the Disclosure Record which at the time and in light of the circumstances under which it was made, contained or is alleged to have contained a misrepresentation or untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make any statement therein not misleading in light of the circumstances in which they were made;

(vi) the omission or alleged omission to state in this Agreement any fact required to be stated herein or necessary to make any statement herein not misleading in light of the circumstances under which it was made;

(vii) any misrepresentation or alleged misrepresentation by or on behalf of the Company (other than by the Agent or any of the Selling Firms) relating to the Offering, whether oral or written and whether made during and in connection with the Offering, where such misrepresentation may give or gives rise to any other liability under any statute in any jurisdiction which is in force on the date of this Agreement;

(viii) any failure or alleged failure to make timely disclosure of a material change by the Company, where such failure or alleged failure occurs during the Offering or during the period of distribution of the Special Warrants or where such failure relates to the Offering or the Special Warrants, and may give or gives rise to any liability under any statute in any jurisdiction which is in force on the date of this Agreement;

(ix) any breach of any representation or warranty of the Company contained herein or the failure of the Company to comply with any of its covenants or other obligations contained herein or to satisfy any conditions contained herein required to be satisfied by the Company; or

(x) the Non-Brokered Private Placement.

(b) If any Claim contemplated by this Section 13 shall be asserted against any of the Indemnified Parties, or if any potential Claim contemplated by this Section 13 shall come to the knowledge of any of the Indemnified Parties, the Indemnified Party concerned shall promptly notify the Company in writing of the nature of such Claim (provided that any failure to so notify in respect of any Claim or potential Claim shall affect the liability of the Company under this Section 13 only if and to the extent that the Company is materially and adversely prejudiced by such failure). The Company shall, subject as hereinafter provided, be entitled (but not required) to assume the defence on behalf of the Indemnified Party of any such Claim; provided that the defence shall be through legal counsel selected by the Company and acceptable to the Indemnified Party, acting reasonably, and no admission of liability shall be made by the Company or the Indemnified Party without, in each case, the prior written consent of all the Indemnified Parties affected and the Company, such consent not to be unreasonably withheld. If such defence is assumed by the Company, the Company throughout the course thereof will provide copies of all relevant documentation to the Agent, will keep the Agent advised of the progress thereof and will discuss with the Agent all significant actions proposed. An Indemnified Party shall have the right to employ separate counsel in any such Claim and participate in the defence thereof but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless:

(i) the Company fails to assume the defence of such Claim on behalf of the Indemnified Party within fifteen (15) days of receiving notice of such suit;

(ii) the employment of such counsel has been authorized by the Company; or

(iii) the named parties to any such Claim (including any added or third parties) include the Indemnified Party and the Company and the Indemnified Party shall have been advised by counsel that representation of the Indemnified Party by counsel for the Company is inappropriate as a result of the potential or actual conflicting interests of those represented or that there may be legal defences available to the Indemnified Party or Indemnified Parties which are different from or in addition to those available to the Company or that the subject matter of the Claim may not fall within the foregoing indemnity;

in each of which cases the Company shall not have the right to assume the defence of such Claim on behalf of the Indemnified Party, and the Company shall be liable to pay the reasonable fees and disbursements of counsel for such Indemnified Parties as well as the reasonable costs and out-of-pocket expenses of the Indemnified Party (including an amount to reimburse the Agent at its normal per diem rates for time spent by its directors, officers, employees or shareholders). Notwithstanding anything set forth herein, in no event shall the Company be liable for the fees or disbursements of more than one firm of legal counsel to an Indemnified Party in a particular jurisdiction in respect of any particular Claim or related set of Claims.

The Company will not, without each affected Indemnified Party's prior written consent, such consent not to be unreasonably withheld, admit any liability, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, suit, proceeding, investigation or claim in respect of which indemnification may be sought hereunder unless in connection with any settlement, compromise or consent by the Company, such settlement, compromise or consent (i) includes an unconditional release of each Indemnified Party from any liabilities arising out of such action, suit, proceeding, investigation or claim (if an Indemnified Party is a party to such action) and (ii) does not include a statement as to, or an admission of fault, culpability or a failure to act by or on behalf of an Indemnified Party.

(c) The Company hereby acknowledges and agrees that, with respect to Sections 13 and 14 hereof, the Agent is contracting on its own behalf and as agent for its affiliates, directors, officers, employees, partners, shareholders, advisors, agents and each other person, if any, controlling any of the Agent or its affiliates, and its and their respective directors, officers, employees, advisors and agents (collectively, the "**Beneficiaries**"). In this regard, the Agent shall act as trustee for the Beneficiaries of the covenants of the Company under Sections 13 and 14 hereof with respect to the Beneficiaries and accepts these trusts and shall hold and enforce such covenants on behalf of the Beneficiaries.

(d) The Company agrees to waive any right it may have of first requiring an Indemnified Party to proceed against or enforce any other right, power, remedy or security or claim payment from any other person before claiming under this indemnity. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company or any person asserting Claims on behalf of or in right of the Company for or in connection with the Offering except to the extent any Losses suffered by the Company are determined by a court of competent jurisdiction in a final judgment that has become non-appealable to have resulted from the fraud, gross negligence, illegal acts, or wilful misconduct of such Indemnified Party.

(e) Notwithstanding anything to the contrary contained herein, the foregoing indemnity in this Section 13 shall not apply to the extent that a court of competent jurisdiction in a final judgment that has become non-appealable shall determine that such Losses to which the Indemnified Party may be subject were caused solely by the fraud, gross negligence, illegal acts, or wilful misconduct of the Indemnified Party. For greater certainty, the Company and the Agent agree that they do not intend that any failure by the Agent to conduct such reasonable investigation as necessary to provide the Agent with reasonable grounds for believing the Offering Documents contained no misrepresentation shall constitute "gross negligence", "fraud" or "illegal act" or "wilful misconduct" for purposes of this Section 13 or otherwise disentitle the Agent from indemnification hereunder.

(f) The Company agrees that in case any legal proceeding or investigation shall be brought or initiated against the Company and/or the Agent by any governmental commission or regulatory authority or any stock exchange or other entity having regulatory authority, either domestic or foreign, in connection with the transactions contemplated by this Agreement, and if the Company and/or the Indemnified Parties shall be required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection with, or by reason of the performance of professional services rendered to the Company by the Agent, the Indemnified Parties shall have the right to employ their own counsel in connection therewith, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Agent for time spent by the Indemnified Parties in connection therewith) and out-of-pocket expenses incurred by Indemnified Parties in connection therewith shall be paid by the Company as they occur. The Company agrees to reimburse the Agent for the time spent by their personnel in connection with any Claim at their normal per diem rates.

(g) Promptly after receipt of notice of the commencement of any legal proceeding against any of the Indemnified Parties or after receipt of notice of the commencement of any investigation, which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Indemnitor, such Indemnified Party(ies) will notify the Indemnitor in writing of the commencement thereof and, throughout the course thereof, will provide copies of all relevant documentation to the Indemnitor, will keep the Indemnitor advised of the progress thereof and will discuss with the Indemnitor all significant actions proposed.

(h) No admission of liability shall be made and the Indemnitor shall not be liable for any settlement of any action, suit, proceeding, claim or investigation made without its express consent, such consent not to be unreasonably withheld.

(i) The rights to indemnification provided in this Section 13 shall be in addition to and not in derogation of any other rights which the Agent or any other Indemnified Party may have by statute or otherwise at law, and shall be binding upon and ensure to the benefit of any successors, assigns, heirs and personal representatives of the Indemnitor, the Agent and any personnel of the Agent. The foregoing provisions shall survive the completion of professional services rendered by the Agent under this Agreement or any termination of the Agent's authorization given by this Agreement.

14. Contribution

(a) In order to provide for just and equitable contribution in circumstances in which the indemnity provided in Section 13 hereof would otherwise be available in accordance with its terms but is, for any reason held to be illegal, unavailable to or unenforceable by the Indemnified Parties or enforceable otherwise than in accordance with its terms, the Agent and the Company shall contribute to the aggregate of all Losses of the nature contemplated in Section 13 hereof and suffered or incurred by the Indemnified Parties in such proportions as is appropriate to reflect the following: (i) the relative benefits received by the Agent, on the one hand, and the relative benefits received the Company on the other hand; (ii) the relative fault of the Company on the one hand and the Agent on the other hand; and (iii) relevant equitable considerations; provided that the Company shall in any event contribute to the amount paid or payable by the Indemnified Parties as a result of such Claim any excess of such amount over the amount of the Cash Fee actually received by the Agent or any other Indemnified Party under this Agreement and further provided that the Agent shall not in any event be liable to contribute, in the aggregate, any amount in excess of the total Cash Fee or any portion thereof actually received by the Agent. However, no party who has engaged in any fraud, gross negligence, illegal acts, or wilful misconduct shall be entitled to claim contribution from any person who has not engaged in such fraud, gross negligence, illegal acts, or wilful misconduct.

(b) The relative benefits received by the Company, on the one hand, and the Agent, on the other hand, shall be deemed to be in the same ratio as the total proceeds from the Offering of the Special Warrants (net of the Cash Fee payable to the Agent but before deducting expenses) received by the Company is to the Cash Fee actually received by the Agent. The relative fault of the Company, on the one hand, and of the Agent, on the other hand, shall be determined by reference to, among other things, whether the matters or things referred to in Section 13 which resulted in such Claims and/or Losses relate to information supplied by or steps or actions taken or done or not taken or not done by or on behalf of the Company or to information supplied by or steps or actions taken or done or not taken or not done by or on behalf of the Agent and the relative intent, knowledge, access to information and opportunity to correct or prevent such statement, omission or misrepresentation, or other matter or thing referred to in Section 13. The amount paid or payable by an Indemnified Party as a result of the Claims and/or Losses referred to above shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such Claims and/or Losses, whether or not resulting in an action, suit, proceeding or claim. The parties to this Agreement agree that it would not be just and equitable if contribution pursuant to this Section 14 were determined by any method of allocation which does not take into account the equitable considerations referred to in this Section 14.

(c) If the Company may be held to be entitled to contribution from the Agent under the provisions of any statute or at law, the Company shall be limited to contribution in an aggregate amount not exceeding the lesser of:

(i) the portion of the full amount of the Losses giving rise to such contribution for which the Agent is responsible, as determined in Section13; and

(ii) the amount of the aggregate Cash Fee actually received by the Agent from the Company under this Agreement.

(d) The rights to contribution provided in this Section 14 shall be in addition to and not in derogation of any other right to contribution which the Indemnified Parties may have by statute or otherwise at law.

(e) If an Indemnified Party has reason to believe that a claim for contribution may arise, the Indemnified Party shall give the Company notice thereof in writing, but failure to so notify shall not relieve the Company of any obligation which it may have to the Indemnified Party under this Section 14 provided that the Company is not materially and adversely prejudiced by such failure, and the right of the Company to assume the defence of such Indemnified Party shall apply as set out in Section 13 hereof, mutatis mutandis.

15. Fees and Expenses

Whether or not the purchase and sale of the Special Warrants shall be completed, all fees and expenses (including GST or HST, if applicable) of or incidental to the creation, issuance and delivery of the Special Warrants and of or incidental to all matters in connection with the transactions herein set out shall be borne by the Company including, without limitation:

(a) all expenses of or incidental to the creation, issue, sale or distribution of the Special Warrants and the filing of the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material;

(b) the fees and expenses of the auditors, counsel to the Company and all local counsel (including disbursements and GST or HST, if and as applicable, on all of the foregoing);

(c) all costs incurred in connection with the preparation and printing of the Preliminary Qualification Prospectus, the Final Qualification Prospectus and any Supplementary Material contemplated hereunder and otherwise relating to the Offering; and

(d) the reasonable out-of-pocket expenses and fees of the Agent, including the reasonable expenses and fees of the Agent's counsel, with such expenses to be paid by the Company at the Time of Closing or at any other time requested by the Agent and provided that the fees of Agent's counsel shall be limited to a maximum of $90,000 (exclusive of disbursements and taxes) shall be payable by the Company immediately upon receiving an invoice therefor from the Agent,

16. All Terms to be Conditions

The Company agrees that the conditions contained in Section 10 will be complied with insofar as the same relate to acts to be performed or caused to be performed by the Company and that it will use its reasonable best efforts to cause all such conditions to be complied with or satisfied. Any breach or failure to comply with or satisfy any of the conditions set out in Section 10 shall entitle the Agent to terminate this Agreement by written notice to that effect given to the Company at or prior to the Time of Closing. It is understood that the Agent may waive, in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to the rights of the Agent in respect of any such terms and conditions or any other or subsequent breach or non-compliance, provided that to be binding on the Agent any such waiver or extension must be in writing.

17. Termination by Agent in Certain Events

(a) The Agent shall also be entitled to terminate its obligations under this Agreement by written notice to that effect given to the Company at or prior to the Time of Closing if:

(i) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) is commenced, announced or threatened or any order is made by any Governmental Authority including, without limitation, the CSE or any securities regulatory authority or any law or regulation is enacted or changed, including any law relating to taxation or the administration or interpretation thereof, which in the sole opinion of the Agent, acting reasonably, operates to prevent or materially restrict the trading of the Common Shares, the Unit Shares, the Warrants, the Warrant Shares, the Compensation Option Shares or any other securities of the Company or materially and adversely affects or might be expected to materially and adversely affect the market price or value of the Special Warrants, the Common Shares, the Underlying Units, the Unit Shares, the Warrants, the Warrant Shares, the Compensation Securities or any other securities of the Company;

(ii) there should develop, occur or come into effect or existence any event, action, state, circumstance, condition or major financial occurrence of national or international consequence or any law or regulation or a change thereof which in the reasonable opinion of the Agent seriously adversely affects, or involves, or will seriously adversely affect or involve, the financial markets or the business, operations or affairs of the Company and the Subsidiaries taken as a whole;

(iii) a cease trading order is made or threatened respecting the Common Shares, the Warrants, the Warrant Shares, the Compensation Option Shares, or other securities by any Securities Commission or other competent authority;

(iv) there shall be any material change in the assets, business, affairs, financial condition, results of operations, capital or prospects of the Company or its Subsidiaries, or there should be discovered any previously undisclosed material fact or circumstance or there should occur a change in any material fact relating to the Company and/or the Subsidiaries, including from that information disseminated by the Company through its periodic and timely disclosure documents publicly filed on SEDAR, which in any case, in the reasonable opinion of the Agent, has or would be expected to have a significant adverse effect on the market price or value of the Special Warrants, the Underlying Units, the Unit Shares, the Warrants, the Warrant Shares, the Compensation Securities or any other securities of the Company;

(v) the Agent determines, acting reasonably, that the state of the financial markets, whether national or international, is such that the Special Warrants cannot be profitably marketed or it would be impractical to offer or to continue to offer the Special Warrants for sale;

(vi) the Company is not in compliance in all material respects with any Applicable Laws (including Applicable Securities Laws relating to timely disclosure of material information) or is in breach of any term, condition or covenant contained in this Agreement or any representation or warranty given by the Company in this Agreement becomes or is false; or

(vii) the Agent and the Company agree in writing to terminate this Agreement.

(b) If this Agreement is terminated by the Agent pursuant to Section 17(a), there shall be no further liability on the part of the Agent to the Company except in respect of any liability which may have arisen or may thereafter arise under Section 5(e), or on the part of the Company to the Agent except in respect of any liability which may have arisen or may thereafter arise under Sections 13, 14 and 15 hereof.

(c) The right of the Agent to terminate its obligations under this Agreement is in addition to such other remedies as it may have in respect of any default, act or failure to act of the Company in respect of any of the matters contemplated by this Agreement.

18. Right of First Refusal

On Closing, the right of first refusal contemplated under the Amended and Restated Agency Agreement dated October 22, 2019 will be released and forever discharged and the Company shall have no further obligations to the Agent with respect thereto.

19. Relationship between the Company and the Agent

In connection with the services described herein, the Agent shall act as independent contractor, and any duties of the Agent arising out of this Agreement shall be owed solely to the Company. The Company acknowledges that the Agent is a securities firm that is engaged in securities trading and brokerage activities, as well as providing investment banking and financial advisory services, which may involve services provided to other companies engaged in businesses similar or competitive to the business of the Company and that the Agent shall have no obligation to disclose such activities and services to the Company. The Company acknowledges and agrees that in connection with all aspects of the engagement contemplated hereby, and any communications in connection therewith, the Company, on the one hand, and the Agent and any of its affiliates through which they may be acting, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Agent or such affiliates, and each party hereto agrees that no such duty will he deemed to have arisen in connection with any such transactions or communications. The Company acknowledges and agrees that it waives, to the fullest extent permitted by law, any claims the Company and its affiliates may have against the Agent for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Agent shall have no liability (whether direct or indirect) to the Company or any of its affiliates in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company. Information which is held elsewhere within the Agent, but of which none of the individuals in the investment banking department or division of the Agent involved in providing the services contemplated by this Agreement actually has knowledge (or without breach of internal procedures can properly obtain) will not for any purpose be taken into account in determining any of the responsibilities of the Agent to the Company under this Agreement.

20. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered,

in the case of the Company, to:

Algernon Pharmaceuticals Inc.

Suite 915 - 700 West Pender Street
Vancouver, British Columbia, V6C 1G8

Email: chris@algernonpharmaceuticals.com
Attention: Christopher Moreau, Chief Executive Officer

with a copy of any such notice (which shall not constitute notice to the Company) to:

McMillan LLP
Royal Centre, Suite 1500
1055 West Georgia Street, PO Box 11117
Vancouver, British Columbia, V6E 4N7

Email: barbara.collins@mcmillan.ca
Attention: Barbara Collins

in the case of the Agent, to:

Mackie Research Capital Corporation
199 Bay Street, Suite 4500
Commerce Court West, Box 368
Toronto, Ontario, M5L 1G2

Email: dkeating@mackieresearch.com
Attention: David Keating

and with a copy of any such notice (which shall not constitute notice to the Agent) to:

Fasken Martineau DuMoulin LLP
333 Bay Street, Suite 2400
Toronto, Ontario, M5H 2T6

Email: jsabetti@fasken.com
Attention: John M. Sabetti

The Company and the Agent may change their respective addresses for notice by notice given in the manner aforesaid. Any such notice or other communication shall be in writing, and unless delivered personally to the addressee or to a responsible officer of the addressee, as applicable, shall be given by fax and shall be deemed to have been given when: (i) in the case of a notice delivered personally to a responsible officer of the addressee, when so delivered; and (ii) in the case of a notice delivered or given by fax on the first business day following the day on which it is sent.

21. Alternative Transaction

If the Company does not proceed with the Offering for any reason(s) within the scope of its control, and (i) during the period commencing on the date of this Agreement and ending twelve (12) months after the termination of this Agreement (including where the Company and the Agent are not able to agree on the terms of the Offering), the Company enters into a binding agreement in respect of an Alternative Transaction (as defined below) and (ii) subsequently completes such Alternative Transaction, the Company agrees to pay to the Agent, at or prior to completion of any such Alternative Transaction, in addition to any expenses required to be reimbursed (as per Section 15 herein), the full amount of the Cash Fee which would have been payable to the Agent, and all of the Compensation Options, subject to compliance with CSE policies, which would have been issuable to the Agent, had the Offering been completed for gross proceeds of $6,000,050. For greater certainty, where the Agent terminates the Offering in accordance with this Agreement, the Company shall not be obligated to pay the Cash Fee or issue the Compensation Options, but the Company shall remain liable for any and all reasonable fees and expenses incurred by the Agent (and their legal counsel) up to the date of termination (as per Section 15).

An "**Alternative Transaction**" means any equity or debt financing, merger, amalgamation, arrangement, business combination, take-over bid, insider bid, issuer bid, reorganization, joint venture, sale or exchange of a part of, all of, or substantially all of the assets or Common Shares or any of its Subsidiaries or any similar transaction involving the Company or any of its Subsidiaries with any arm's length party.

22. Miscellaneous

(a) The Company acknowledges and agrees that all written and oral opinions, advice, analysis and materials provided by the Agent in connection with this Agreement hereunder are intended solely for the Company's benefit and the Company's internal use only with respect to the Offering and the Company agrees that no such opinion, advice, analysis or material will be used for any other purpose whatsoever or reproduced, disseminated, quoted from or referred to in whole or in part at any time, in any manner or for any purpose, without the Agent's prior written consent in each specific instance. Any advice or opinions given by the Agent hereunder will be made subject to, and will be based upon, such assumptions, limitations, qualification and reservations as the Agent, in its sole judgment, deems necessary or prudent in the circumstances. The Agent shall act as independent contractor under this Agreement and not in any other capacity, including as a fiduciary, and any duties arising out of this Agreement shall be owed solely to the Company.

(b) Upon successful completion of the Offering, the Agent shall be permitted to publish, at its own expense, such advertisements or announcements describing its services provided hereunder in such newspaper or other publications as the Agent considers appropriate, and shall further be permitted to post such advertisements or announcements on its website. Prior to publishing or posting any such advertisement, the Agent shall provide a draft thereof to the Company and shall afford the Company an opportunity to review and provide comments on such advertisement.

(c) This Agreement shall enure to the benefit of, and shall be binding upon, the Agent and the Company and their respective successors and legal representatives, provided that no party may assign this Agreement or any rights or obligations under this Agreement, in whole or in part, without the prior written consent of the other party.

(d) The Company acknowledges and agrees that: (i) the Offering contemplated by this Agreement is an arm's length commercial transaction between the Company, on the one hand, and the Agent, on the other; (ii) in connection therewith and with the process leading to such transaction the Agent is acting solely as a principal and not the agent or fiduciary of the Company; (iii) the Agent has not assumed an advisory or fiduciary responsibility in favour of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether the Agent has advised or is concurrently advising the Company on other matters) or any other obligation to the Company except the obligations expressly set forth in this Agreement; and (iv) the Company has consulted its own legal and financial advisors to the extent they deemed appropriate. The Company agrees that it will not claim that the Agent has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company in connection with such transaction or the process leading thereto.

(e) The Company acknowledges that the Agent is a full service securities firm engaged in securities trading and brokerage activities as well as providing investment banking and financial advisory services and that in the ordinary course of its trading and brokerage activities, the Agent and/or any of its affiliates at any time may hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities of the Company or any other company that may be involved in a transaction or related derivative securities.

(f) Neither the Company nor the Agent shall make any public announcement in connection with the Offering, except if the other party has consented to such announcement or the announcement is required by applicable laws or stock exchange rules. In such event, the party proposing to make the announcement will provide the other party with a reasonable opportunity, in the circumstances, to review a draft of the proposed announcement and to provide comments thereon.

(g) No waiver of any provision of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the party to be bound by the waiver. A party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a party from any other or further exercise of that right or the exercise of any other right it may have.

(h) If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction from which no appeal exists or is taken, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

(i) This Agreement shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and the parties submit to the non-exclusive jurisdiction of the courts of the Province of British Columbia.

(j) Time shall be of the essence hereof and, following any waiver or indulgence by any party, time shall again be of the essence hereof.

(k) The words, "hereunder", "hereof" and similar phrases mean and refer to the Agreement.

(l) All warranties, representations, covenants and agreements (including the Company's indemnification and contribution covenants and agreements in favour of the Agent and the other Indemnified Parties) of or made by the Company herein contained or contained in any Ancillary Document shall survive the purchase by the Purchasers of the Special Warrants and shall continue in full force and effect for the benefit of the Purchasers and the Agent regardless of the Closing of the sale of the Special Warrants, any subsequent disposition of the Special Warrants or the Underlying Units, Unit Shares, Warrants and/or Warrant Shares by the Purchasers or the termination of the Agent's obligations under this Agreement and shall not be limited or prejudiced by any investigation made by or on behalf of the Agent in connection with the Offering, the preparation of the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material or the distribution of the Special Warrants or the Underlying Units, Unit Shares, Warrants and/or Warrant Shares or otherwise, and the Company agrees that the Agent shall not be presumed to know of the existence of a claim against the Company under this Agreement or the other Transaction Documents or any Ancillary Document or in connection with the purchase and sale of the Special Warrants or the issuance of the Underlying Units, Unit Shares, Warrants, Warrant Shares and/or any of the Compensation Securities as a result of any investigation made by or on behalf of the Agent in accordance with the preparation of the Preliminary Qualification Prospectus, the Final Qualification Prospectus or any Supplementary Material or the distribution of the Special Warrants or the Underlying Units, Unit Shares, Warrants, Warrant Shares, Compensation Securities or otherwise.

(m) Each of the parties hereto shall be entitled to rely on delivery of a facsimile or portable document format copy of this Agreement and acceptance by each such party of any such facsimile or portable document format copy shall be legally effective to create a valid and binding agreement between the parties hereto in accordance with the terms hereof.

(n) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

[*remainder of page intentionally left blank; signature pages follow*]

If this Agreement accurately reflects the terms of the transactions which we are to enter into and are agreed to by you, please communicate your acceptance by executing the enclosed copies of this Agreement where indicated and returning them to us.

Yours very truly,

MACKIE RESEARCH CAPITAL CORPORATION

By: */s/ David Keating*
Name: David Keating
Title: Managing Director

Accepted and agreed to by the undersigned as of the date of this Agreement first written above.

ALGERNON PHARMACEUTICALS INC.

By: */s/ Christopher Moreau*
Name: Christopher Moreau
Title: Chief Executive Officer

SCHEDULE A

COMPLIANCE WITH UNITED STATES SECURITIES LAWS

This is Schedule "A" to the agency agreement dated as of May 13, 2020 between Algernon Pharmaceuticals Inc. and Mackie Research Capital Corporation.

As used in this Schedule "A", the following terms shall have the following meanings:

"**Accredited Investor**" has the meaning ascribed thereto in Rule 501(a) of Regulation D;

"**Dealer Covered Person**" has the meaning set forth in Section B(12) below;

"**Directed Selling Efforts**" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Securities, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of the Securities;

"**Disqualification Event**" has the meaning set forth in Section A(10) below;

"**Foreign Issuer**" means a "foreign issuer" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means any issuer which is (a) the government of any country other than the United States or of any political subdivision of a country other than the United States; or (b) a corporation or other organization incorporated under the laws of any country other than the United States, except an issuer meeting the following conditions as of the last business day of its most recently completed second fiscal quarter: (1) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and (2) any of the following; (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

"**General Solicitation or General Advertising**" means "general solicitation or general advertising", as used in Rule 502(c) of Regulation D, including any advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television or the internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising;

"**Issuer Covered Person**" " has the meaning set forth in Section A(10) below;

"**Offshore Transaction**" means "offshore transaction" as that term is defined in Regulation S;

"**Qualified Institutional Buyer**" means a "qualified institutional buyer" as that term is defined in Rule 144A;

"**Regulation D**" means Regulation D adopted by the SEC under the U.S. Securities Act;

"**Regulation S**" means Regulation S adopted by the SEC under the U.S. Securities Act;

"**Rule 144A**" means Rule 144A adopted by the SEC under the U.S. Securities Act;

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities**" means the Special Warrants and Underlying Units;

"**Substantial U.S. Market Interest**" means "substantial U.S. market interest" as that term is defined in Regulation S;

"**U.S. Affiliate**" means the duly registered United States broker-dealer affiliate of the Agent;

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder; and

"**U.S. Purchaser**" means an original Purchaser of the Special Warrants that is either an Accredited Investor or Qualified Institutional Buyer who was, at the time of purchase, (a) a U.S. Person, (b) any person purchasing such Special Warrants on behalf of, or for the account or benefit of, any U.S. Person or any person in the United States, (c) any person who receives or received an offer to acquire such Special Warrants while in the United States, and (d) any person who was in the United States at the time such person's buy order was made or the Subscription Agreement pursuant to which such Special Warrants were acquired was executed or delivered.

All other capitalized terms used but not otherwise defined in this Schedule "A" shall have the meanings assigned to them in the agency agreement to which this Schedule "A" is attached.

A. Representations, Warranties and Covenants of the Company

The Company represents and warrants to and covenants with the Agent that facilitates sales to a U.S. Purchaser and the U.S. Affiliate that:

1. It is, and on the Closing Date will be, a Foreign Issuer with no Substantial U.S. Market Interest with respect to any of its equity securities.

2. Except with respect to offers and sales in accordance with this Schedule "A" to (i) U.S. Purchasers in reliance upon the exemption from registration requirements available pursuant to Rule 506(b) of Regulation D, and (ii) persons outside the United States in an Offshore Transaction in reliance upon the exclusion from the registration requirements available pursuant to Rule 903 of Regulation S, neither the Company nor any of its affiliates, nor any person acting on its or their behalf (other than the Agent, the U.S. Affiliate, their respective affiliates or any person acting on their behalf, in respect of which no representation is made), has made or will make: (A) any offer to sell, or any solicitation of an offer to buy, any Special Warrants to a person in the United States; or (B) any sale of Special Warrants unless, at the time the buy order was or will have been originated, the purchaser is (i) outside the United States or (ii) the Company, its affiliates, and any person acting on their behalf reasonably believe that the purchaser is outside the United States.

3. None of the Company or any persons acting on its or their behalf (other than the Agent, the U.S. Affiliate, their respective affiliates or any person acting on their behalf, in respect of which no representation, warranty or covenant is made) has made or will make any Directed Selling Efforts or has engaged or will engage in any form of General Solicitation or General Advertising or has acted in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act in the United States with respect to the Securities.

4. The Company is not, and as a result of the sales of the Special Warrants or upon the issuance of the Underlying Units contemplated hereby will not be, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered, or closed-end investment company required to be registered, under the United States Investment Company Act of 1940, as amended.

5. The Company has not sold, offered for sale or solicited any offer to buy and will not sell, offer for sale or solicit any offer to buy, during the period beginning six months prior to the start of the Offering of the Special Warrants and ending six months after the completion of the Offering of the Special Warrants, any of its securities in the United States in a manner that would be integrated with and would cause the exemption from registration provided by Rule 506(b) of Regulation D or the exclusion from registration provided by Rule 903 of Regulation S, to be unavailable with respect to offers and sales of the Special Warrants pursuant to this Schedule "A".

6. The Company will not take any action that would cause the exemptions or exclusions provided by Rule 506(b) of Regulation D or Rule 903 of Regulation S or to be unavailable with respect to offers and sales of the Special Warrants to U.S. Purchasers pursuant to the Agency Agreement including this Schedule "A".

7. Neither the Company nor any of its predecessors or affiliates has been subject to any order, judgment, or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D.

8. None of the Company, its affiliates or any person on behalf of any of them (other than the Agent, the U.S. Affiliate, their respective affiliates or any person acting on their behalf, in respect of which no representation is made) has engaged or will engage in any violation of Regulation M under the U.S. Exchange Act in connection with this Offering.

9. The Company will, within prescribed time periods, prepare and file any forms or notices required under the U.S. Securities Act or applicable state securities laws in connection with the Offering.

10. With respect to the Special Warrants to be offered and sold hereunder in reliance on Rule 506(b) of Regulation D, none of the Company, any of its predecessors, any director, executive officer, other officer of the Company participating in the offering, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the U.S. Securities Act) connected with the Company in any capacity at the time of sale (each, an "**Issuer Covered Person**" and, together, "**Issuer Covered Persons**") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the U.S. Securities Act (a "**Disqualification Event**"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine (i) the identity of each person that is an Issuer Covered Person; and (ii) whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Agent a copy of any disclosures provided thereunder.

B. Representations, Warranties and Covenants of the Agent and the U.S. Affiliate

The Agent in facilitating sales to a U.S. Purchaser, and the U.S. Affiliate, represents and warrants to and covenants and agrees with the Company that:

1. It acknowledges that the Securities have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold except pursuant to an exclusion or exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. It has offered and sold and will offer and sell the Special Warrants only (i) outside the United States in an Offshore Transaction in accordance with Rule 903 of Regulation S, or (ii) in the United States as provided in this Schedule "A". Accordingly, neither the Agent, nor the U.S. Affiliate, nor any persons acting on its or their behalf: (i) have engaged or will engage in any Directed Selling Efforts; or (ii) except as permitted by this Schedule "A", have made or will make (x) any offers to sell Special Warrants to U.S. Purchasers or (y) any sale of Special Warrants unless at the time the purchaser made its buy order therefor, the Agent, the U.S.

Affiliate or other person acting on any of their behalf reasonably believed that such U.S. Purchaser was outside the United States and not a U.S. Person or acting for the account or benefit of a U.S. Person.

2. It has not entered and will not enter into any contractual arrangement with respect to the distribution of the Securities, except with the U.S. Affiliate or with the prior written consent of the Company.

3. It shall require the U.S. Affiliate to agree, for the benefit of the Company, to comply with, and shall use its best efforts to ensure that the U.S. Affiliate complies with, the provisions of this Schedule "A" as if such provisions applied to such U.S. Affiliate.

4. All offers and sales of the Special Warrants to U.S. Purchasers will be effected by the U.S. Affiliate in accordance with all applicable U.S. federal and state broker-dealer requirements. Such U.S. Affiliate is, and will be on the date of each offer or sale of Special Warrants in the United States, duly registered as a broker- dealer pursuant to Section 15(b) of the U.S. Exchange Act and the securities laws of each state in which such offer or sale is made (unless exempted from the respective state's broker-dealer registration requirements) and a member of and in good standing with the Financial Industry Regulatory Authority, Inc.

5. Any offer, sale or solicitation of an offer to buy Special Warrants that has been made or will be made to U.S. Purchasers, was or will be made only to (i) Qualified Institutional Buyers or Accredited Investors in transactions that are exempt from the registration requirements available pursuant to Rule 506(b) of Regulation D and exempt from registration under all applicable state securities laws, and (ii) persons outside the United States in Offshore Transactions that are exempt from registration pursuant to Rule 903 of Regulation S.

6. Offers and sales of Special Warrants to U.S. Purchasers have not been and shall not be made by any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act.

7. At least one Business Day prior to the Closing Date, it shall provide the Company's transfer agent with a list of all U.S. Purchasers of the Special Warrants, together with their addresses (including state of residence), the number of Special Warrants purchased and the registration and delivery instructions for the Special Warrants.

8. Prior to any sale of Special Warrants to U.S. Purchasers, it shall cause each U.S. Purchaser to execute and deliver to the Company, the Agent and the U.S. Affiliate, the Subscription Agreement, including the U.S. Purchaser Certificate annexed thereto as Schedule "C".

9. All U.S. Purchasers of the Special Warrants shall be informed that the Securities have not been and will not be registered under the U.S. Securities Act and applicable state securities laws and are being offered and sold to such U.S. Purchasers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 506(b) of Regulation D.

10. The Agent understands that all Special Warrants sold and the Underlying Units issuable thereto to
U.S. Purchasers in the Offering that are Accredited Investors will be issued in definitive physical form and will bear a restrictive legend substantially in the form set forth Schedule "C" to the Subscription Agreement.

11. Neither it nor any person acting on its behalf has engaged or will engage in any violation of Regulation M under the U.S. Exchange Act in connection with this Offering.

12. With respect to the Special Warrants, it represents that neither it, nor any of its directors, executive officers, other officers participating in the offering of the Special Warrants, general partners or managing members, or any of the directors, executive officers or other officers participating in the offering of the Special Warrants of any such general partner or managing member (each, a "**Dealer Covered Person**" and, together, "**Dealer Covered Persons**"), is subject to any Disqualification Event except for a Disqualification Event (i) contemplated by Rule 506(d)(2) of the U.S. Securities Act and (ii) a description of which has been furnished in writing to the Company prior to the date hereof or, in the case of a Disqualification Event occurring after the date hereof, prior to the date of any offering of the Special Warrants.

13. At Closing, the Agent, together with the U.S. Affiliate, will provide a certificate, substantially in the form of Exhibit A to this Schedule A, relating to the manner of the offer and sale of the Special Warrants to U.S. Purchasers, or will be deemed to have represented that they did not offer or sell Special Warrants to U.S. Purchasers.

EXHIBIT A

AGENT'S CERTIFICATE

In connection with the private placement in the United States of special warrants (the "**Offered Securities**") of Algernon Pharmaceuticals Inc. (the "**Company**") pursuant to the Agency Agreement dated May 13, 2020 among the Company and Mackie Research Capital Corporation (the "**Agency Agreement**"), each of the undersigned does hereby certify to the Company as follows:

(a) [●] (the "**U.S. Affiliate**") is, and at all relevant times was, a duly registered broker or dealer with the United States Securities and Exchange Commission and is a member of and in good standing with the Financial Industry Regulatory Authority, Inc. on the date hereof and the date on which each offer was made by it in the United States, and all offers and sales of the Offered Securities in the United States have been effected by the U.S. Affiliate in compliance with all U.S. federal and state broker-dealer requirements;

(b) immediately prior to making any offers to any U.S. Purchaser, we had reasonable grounds to believe and did believe that the U.S. Purchaser was either (i) a Qualified Institutional Buyer, or (ii) an Accredited Investor, and, on the date hereof, we continue to believe that each such U.S. Purchaser purchasing Offered Securities from us is either a Qualified Institutional Buyer or Accredited Investor;

(c) no form of General Solicitation or General Advertising was used by us, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television or the internet or any seminar or meeting whose attendees had been invited by General Solicitation or General Advertising, in connection with the offer or sale of the Offered Securities to U.S. Purchasers;

(d) neither we nor the U.S. Affiliate, have taken or will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act; and

(e) the offering of the Offered Securities in the United States has been conducted by us in accordance with the terms of the Agency Agreement including Schedule "A" thereto.

Terms used in this certificate have the meanings given to them in the Agency Agreement, including Schedule A thereto, unless otherwise defined herein.

DATED this _____day of_____, 2020.

MACKIE RESEARCH CAPITAL CORPORATION

By: _____
Name:
Title

[●]

By: _____
Name:
Title

ALGERNON PHARMACEUTICALS INC.

Special Warrant Indenture

May 13, 2020

TABLE OF CONTENTS

SPECIAL WARRANT INDENTURE

THIS SPECIAL WARRANT INDENTURE made as of May 13, 2020.

BETWEEN:

Algernon Pharmaceuticals Inc., a corporation incorporated under the laws of the Province of British Columbia

(the "**Company**")

OF THE FIRST PART

AND:

AST Trust Company (Canada), a trust company existing under the laws of Canada and authorized to carry on business in all provinces of Canada

(the "**Special Warrant Agent**")

OF THE SECOND PART

WHEREAS the Company is proposing to issue up to 19,714,450 Special Warrants in the manner herein set forth;

AND WHEREAS each Special Warrant shall entitle the holder thereof to acquire one Unit upon exercise or automatic exercise thereof, subject to adjustment in accordance with this Indenture, without payment of additional consideration;

AND WHEREAS the Company is authorized to create and issue the Special Warrants;

AND WHEREAS the Company represents to the Special Warrant Agent that all necessary resolutions of the directors of the Company have been duly enacted, passed or confirmed and all other proceedings taken and conditions complied with to authorize the execution and delivery of this Indenture and the execution, delivery and issue of the Special Warrants and to make the same legal, valid and binding on the Company in accordance with the laws relating to the Company;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Company and not by the Special Warrant Agent;

AND WHEREAS the Special Warrant Agent has been appointed by the Company and has agreed to act as agent on behalf of the Special Warrantholders on the terms and conditions set forth herein.

NOW THEREFORE THIS INDENTURE WITNESSETH THAT, in consideration of the premises and in further consideration of the mutual covenants herein set forth, the parties hereto agree as follows:

1. INTERPRETATION

1.1 Definitions

In this Indenture, unless there is something in the subject matter or context inconsistent therewith, the following words have the respective meaning indicated below:

(a) "**Agent**" means Mackie Research Capital Corporation;

(b) "**Agency Agreement**" means the agency agreement dated the date hereof between the Company and the Agent in relation to the Private Placement;

(c) "**Applicable Legislation**" means the provisions, if any, for the time being, of any statute of Canada or a province or territory thereof, and of the regulations under such statute, relating to special warrant indentures and to the rights, duties and obligations of special warrant agent under special warrant indentures, and of corporations issuing their securities under special warrant indentures, to the extent that any such provisions are in force and applicable to this Indenture;

(d) "**Authenticated**" means (a) with respect to the issuance of a Special Warrant Certificate, a Special Warrant Certificate which has been duly signed by the Company and authenticated by manual signature of an authorized officer of the Special Warrant Agent, and (b) with respect to the issuance of an Uncertificated Special Warrant, an Uncertificated Special Warrant in respect of which the Special Warrant Agent has completed all Internal Procedures such that the particulars of such Uncertificated Special Warrant are entered in the register of holders of Special Warrants, and "*Authenticate*", "*Authenticating*" and "*Authentication*" have the appropriate correlative meanings;

(e) "**Automatic Exercise Time**" means 5:00 p.m. (Toronto time) on the Qualification Date;

(f) "**Book Entry Exercise Confirmation**" means a confirmation of intention to exercise Special Warrants, delivered to the Special Warrant Agent by the Depository;

(g) "**Book Entry Only Participants**" means institutions that participate directly or indirectly in the Depository's book entry registration system for the Special Warrants;

(h) "**Book Entry Only Special Warrants**" means Special Warrants that are to be held only by or on behalf of the Depository;

(i) "**Business Day**" means a day which is not a Saturday, Sunday or legal holiday in the City of Vancouver, British Columbia and the City of Toronto, Ontario;

(j) "**CDS Global Special Warrants**" means Special Warrants representing all or a portion of the aggregate number of Special Warrants issued in the name of the Depository represented by an Uncertificated Special Warrant, or if requested by the Depository or the Company, by a Special Warrant Certificate;

(k) "**Closing**" means the completion of the issuance and sale of Special Warrants by the Company to the purchasers of Special Warrants arranged by the Agent in accordance with the Agency Agreement;

(l) "**Closing Date**" means May 13, 2020;

(m) "**Commissions**" means the securities commissions of each of the Designated Jurisdictions;

(n) "**Common Share**" means a fully paid and non-assessable class A common share in the capital of the Company as such capital is presently constituted;

(o) "**Company**" means Algernon Pharmaceuticals Inc.;

(p) "**Company's auditors**" means the firm of accountants appointed by the shareholders of the Company and serving as the auditors of the Company at the relevant time;

(q) "**Current Market Price**" of a Common Share at any date means the price per share equal to the volume weighted average price at which the Common Shares have traded during the 10 consecutive Trading Days ending five days before such date, on the Canadian Securities Exchange, or, if the Common Shares are not listed thereon, on any stock exchange on which such shares are listed as may be selected for such purpose by the directors or, if such shares are not listed on any stock exchange, then on such over-the-counter market in Canada or the United States as may be selected for such purpose by the directors, provided further that if the Common Shares are not then listed on any Canadian stock exchange or traded in the over-the counter market, then the Current Market Price shall be determined by such firm of independent chartered accountants as may be selected by the directors of the Company;

(r) "**Depository**" means CDS Clearing and Depository Services Inc. or such other person as is designated in writing by the Company to act as depository in respect of the Special Warrants;

(s) "**Designated Jurisdictions**" means each of the provinces of Canada, other than Quebec, where Special Warrants are sold;

(t) "**director**" means a director of the Company for the time being and, unless otherwise specified herein, a reference to an action by the directors means an action by the directors of the Company as a board or, whenever duly empowered, action by a committee of such board;

(u) "**Indenture**", "**herein**", "**hereto**", "**hereunder**", "**hereof**", "**hereby**" and similar expressions mean or refer to this special warrant indenture and not to any particular Article, Section, paragraph, clause, subdivision or portion hereof and include any indenture, deed or instrument supplemental or ancillary hereto, in each case, as may be amended from time to time; and the expressions "**Article**", "**Section**" and "**paragraph**" followed by a number mean and refer to the specified Article, Section or paragraph of this Indenture;

(v) "**Internal Procedures**" means in respect of the making of any one or more entries to, changes in or deletions of any one or more entries in the register at any time (including without limitation, original issuance or registration of transfer of ownership) the minimum number of the Special Warrant Agent's internal procedures customary at such time for the entry, change or deletion made to be completed under the operating procedures followed at the time by the Special Warrant Agent;

(w) "**Original QIB Purchaser**" means an original purchaser of Special Warrants who, as a U.S. Purchaser that qualifies as a Qualified Institutional Buyer, has executed and delivered a U.S. QIB Certificate;

(x) "**Penalty Provisions**" has the meaning set forth in Section4.1(a);

(y) "**Private Placement**" means the private placement of up to 19,714,450 Special Warrants pursuant to the Agency Agreement;

(z) "**Prospectus**" means a (final) short form prospectus of the Company filed with the Commissions by the Company which qualifies the distribution of the Unit Shares and the Unit Warrants in the Designated Jurisdictions;

(aa) "**Purchase Price**" means $0.35 per Special Warrant;

(bb) "**Qualification Condition**" means the Company obtaining the Receipt for the Prospectus;

(cc) "**Qualification Date**" means the earlier of:

(i) the third business day after the Qualification Condition is satisfied; and

(ii) the date that is four months and one day after the Closing Date;

(dd) "**Qualification Deadline**" means 5:00 p.m. (Vancouver time) on the date that is 35 days following the Closing Date;

(ee) "**Qualified Institutional Buyer**" means a "qualified institutional buyer" as defined in Rule 144A of the U.S. Securities Act;

(ff) "**Receipt**" means the receipt issued by the British Columbia Securities Commission for the Prospectus, which is deemed to also be a receipt of the securities commissions of the other Designated Jurisdictions (other than Ontario) and also evidences the receipt for the Prospectus of the Ontario Securities Commission pursuant to Multilateral Instrument 11- 102 *Passport System* and National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*;

(gg) "**Regulation S**" means Regulation S promulgated by the SEC under the U.S. Securities Act;

(hh) "**SEC**" means the United States Securities and Exchange Commission;

(ii) "**Special Warrant**" means a special warrant of the Company created by the Company and issued hereunder for a purchase price of $0.35 per special warrant and entitling the holder thereof to acquire one Unit upon exercise or automatic exercise thereof, subject to adjustment in accordance with this Indenture, without payment of additional consideration;

(jj) "**Special Warrant Agent**" means AST Trust Company (Canada), the Company's registrar and transfer agent for the Special Warrants, having an office at 1066 West Hastings Street, Suite 1600, Vancouver, BC V6E 3X1;

(kk) "**Special Warrant Certificate**" means a certificate evidencing one or more Special Warrants issuable hereunder, substantially in the form attached hereto as Schedule "A";

(ll) "**Special Warrantholder**" means the registered holder from time to time of an outstanding Special Warrant;

(mm) "**Subsidiary of the Company**" means a corporation of which voting securities carrying a majority of the votes attached to all outstanding voting securities of the Company are owned, directly or indirectly, by the Company or by one or more subsidiaries of the Company, or by the Company and one or more subsidiaries of the Company, and, as used in this definition, voting securities means securities, other than debt securities, carrying a voting right to elect directors either under all circumstances or under some circumstances that may have occurred and are continuing;

(nn) "**Trading Day**" means any day on which the facilities of the Canadian Securities Exchange, or, if the Common Shares are not listed thereon, the facilities of any stock exchange on which the Common Shares are listed, are open for trading;

(oo) "**Transaction Instruction**" means a written order signed by a Special Warrantholder or the Depository entitled to request that one or more actions be taken, or such other form as may be reasonably acceptable to the Special Warrant Agent, requesting one or more such actions to be taken in respect of an Uncertificated Special Warrant;

(pp) "**Uncertificated Special Warrant**" means any Special Warrant which is not represented by a Special Warrant Certificate;

(qq) "**Unit**" means a unit of the Company, subject to adjustment in accordance with this Indenture, consisting of one Unit Share and one Unit Warrant (and includes for greater certainty any additional Unit Shares and Unit Warrants that may be issued pursuant to the Penalty Provisions), issuable upon the exercise or automatic exercise of the Special Warrants;

(rr) "**Unit Share**" means a Common Share forming part of a Unit, issuable upon the exercise or automatic exercise of the Special Warrants, and includes for greater certainty any additional Common Shares that may be issued pursuant to the Penalty Provision;

(ss) "**Unit Warrant**" means a Common Share purchase warrant of the Company forming part of a Unit, issuable upon the exercise or automatic exercise of the Special Warrants and pursuant to the Unit Warrant Indenture, with each whole Unit Warrant exercisable by the holder thereof to acquire one Common Share of the Company at a price of $0.55 per Common Share for a period of 24 months following the Closing Date, subject to adjustment and acceleration in certain events as set forth in the Warrant Indenture, and includes for greater certainty any additional Warrants that may be issued pursuant to the Penalty Provision;

(tt) "**United States**" has the meaning ascribed thereto in Regulation S, as set out in Schedule "B" hereto;

(uu) "**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended;

(vv) "**U.S. Person**" has the meaning ascribed thereto in Regulation S, as set out in Schedule "B" hereto;

(ww) "**U.S. Purchaser**" means (i) any U.S. Person that purchased Special Warrants, (ii) any person that purchased Special Warrants for the account or benefit of any U.S. Person or any person in the United States, (iii) any purchaser of Special Warrants that received an offer of the Special Warrants while in the United States, or (iv) any person that was in the United States at the time such person's buy order was made or the subscription agreement for Special Warrants was executed or delivered;

(xx) "**U.S. QIB Certificate**" means a U.S. Purchaser Certificate executed by an Original QIB Purchaser in connection with its purchase of Special Warrants pursuant to the Private Placement, substantially in the form annexed as Schedule "C" to the form of subscription agreement used for such offering, wherein the Original QIB Purchaser has initialed Section 1(c) indicating that it qualifies as a Qualified Institutional Buyer and is making the covenants, representations and warranties set forth in Sections 2 and 4 of the U.S. QIB Certificate;

(yy) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended; and

(zz) "**Warrant Indenture**" means the warrant indenture governing the terms of the Unit Warrants between the Company and AST Trust Company (Canada) in its capacity as warrant agent, dated the Closing Date.

1.2 Headings

The division of this Indenture into Articles, Sections or other subdivisions, the provision of a Table of Contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or the Special Warrants.

1.3 Gender

Words importing the singular number also include the plural and vice versa and words importing a particular gender or neuter include both genders and neuters.

1.4 Weekends and Holidays

If the date for the taking of any action under this Indenture expires on a day which is not a Business Day, such action may be taken on the next succeeding Business Day with the same force and effect as if taken within the period for the taking of such action.

1.5 Meaning of "Outstanding"

Every Special Warrant represented by a Special Warrant Certificate countersigned by the Special Warrant Agent or Uncertificated Special Warrant that has been Authenticated and delivered to the holder thereof is deemed to be outstanding until it is cancelled or delivered to the Special Warrant Agent for cancellation or until the Automatic Exercise Time. Where a new Special Warrant Certificate has been issued pursuant to Section 2.9 to replace one which has been mutilated, lost, stolen or destroyed, the Special Warrants represented by only one of such Special Warrant Certificates are counted for the purpose of determining the aggregate number of Special Warrants outstanding. A Special Warrant Certificate representing a number of Special Warrants which has been partially exercised will be deemed to be outstanding only to the extent of the unexercised portion of the Special Warrants.

1.6 Time

Time is of the essence hereof and of each Special Warrant Certificate.

1.7 Applicable Law

This Indenture and each Special Warrant Certificate are subject to and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

1.8 Severability

Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under Applicable Legislation. In the event that any provision hereof shall be determined to be invalid, illegal or unenforceable in any respect under Applicable Legislation, such provision will be ineffective only to the extent of such invalidity, illegality and unenforceability and the validity, legality and enforceability of the remainder of such provision and any other provision hereof shall not be affected or impaired thereby.

1.9 Currency

All references to currency herein and in the Special Warrant Certificates are to Canadian dollars unless otherwise indicated.

1.10 Conflicts

In the event of any conflict or inconsistency between the provisions of this Indenture and the Special Warrant Certificates, the provisions of this Indenture will govern.

1.11 Schedules

The attached Schedule "A" and Schedule "B" are incorporated into and form part of this Indenture.

2. ISSUE AND PURCHASE OF SPECIAL WARRANTS

2.1 Creation, Form and Terms of Special Warrants

(a) The Company hereby creates and authorizes for issuance up to 19,714,450 Special Warrants at a price of $0.35 per Special Warrant, each such Special Warrant entitling a Special Warrantholder to acquire one Unit at no additional cost, subject to adjustment as provided under this Indenture.

(b) Subject to the provisions hereof, the Special Warrants issued under this Indenture are limited in the aggregate to 19,714,450 Special Warrants, provided that the number of Units is subject to increase or decrease so as to give effect to the adjustments required by Article 4.

(c) No fractional Special Warrants shall be issued or otherwise provided for hereunder.

2.2 Form of Special Warrants, Certificated Special Warrants

The Special Warrants may be issued in both certificated and uncertificated form. All Special Warrants issued in certificated form shall be evidenced by a Special Warrant Certificate (including all replacements issued in accordance with this Indenture), substantially in the form set out in Schedule "A" hereto, which shall be dated as of the Closing Date, shall bear such distinguishing letters and numbers as the Company may, with the approval of the Special Warrant Agent, prescribe, and shall be issuable in any denomination excluding fractions. All Special Warrants issued to the Depository may be in either a certificated or uncertificated form, such uncertificated form being evidenced by a book position on the register of Special Warrantholders to be maintained by the Special Warrant Agent. Notwithstanding the foregoing, all Special Warrants issued to a U.S. Purchaser, other than Special Warrants originally issued to an Original QIB Purchaser, will be issued in certificated form and will bear the legend set forth in Section 5.9(a) herein.

2.3 Book Entry Only Special Warrants

(a) Registration of beneficial interests in and transfers of Special Warrants held by the Depository shall be made only through the book entry registration system and no Special Warrant Certificates shall be issued in respect of such Special Warrants except where physical certificates evidencing ownership in such securities are required or as set out herein or as may be requested by the Depository, as determined by the Company, from time to time. Except as provided herein, owners of beneficial interests in any CDS Global Special Warrants shall not be entitled to have Special Warrants registered in their names and shall not receive or be entitled to receive Special Warrants in definitive form or to have their names appear in the register. Notwithstanding any terms set out herein, Special Warrants having any legend set forth in Section 5.9(a) herein and held in the name of the Depository may only be held in the form of Uncertificated Special Warrants with the prior consent of the Special Warrant Agent and in accordance with the Internal Procedures of the Special Warrant Agent.

(b) Notwithstanding any other provision in this Indenture, no CDS Global Special Warrants may be exchanged for registered Special Warrants, and no transfer of any CDS Global Special Warrants may be registered, in the name of any person other than the Depository for such CDS Global Special Warrants or a nominee thereof, unless:

(i) the Depository notifies the Company that it is unwilling or unable to continue to act as depository in connection with the Book Entry Only Special Warrants and the Company is unable to locate a qualified successor;

(ii) the Company determines that the Depository is no longer willing, able or qualified to discharge properly its responsibilities as holder of the CDS Global Special Warrants and the Company is unable to locate a qualified successor;

(iii) the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Company is unable to locate a qualified successor;

(iv) the Company determines that the Special Warrants shall no longer be held as Book Entry Only Special Warrants through the Depository;

(v) such right is required by Applicable Legislation, as determined by the Company and the Company's counsel;

(vi) the Special Warrant is to be Authenticated to or for the account or benefit of a person in the United States or a U.S. Person (in which case, the Special Warrant Certificate shall contain the legend set forth in Section 5.9(a), if applicable); or

(vii) such registration is effected in accordance with the internal procedures of the Depository and the Special Warrant Agent, following which, Special Warrants for those holders requesting the same shall be registered and issued to the beneficial owners of such Special Warrants or their nominees as directed by the holder.

The Company shall provide a certificate of an officer of the Company giving notice to the Special Warrant Agent of the occurrence of any event outlined in this Section 2.3(b).

(c) Every Special Warrant that is Authenticated upon registration or transfer of a CDS Global Special Warrant, or in exchange for or in lieu of a CDS Global Special Warrant or any portion thereof, shall be Authenticated in the form of, and shall be, a CDS Global Special Warrant, unless such Special Warrant is registered in the name of a person other than the Depository for such CDS Global Special Warrant or a nominee thereof.

(d) Notwithstanding anything to the contrary in this Indenture, the CDS Global Special Warrant will be issued as an Uncertificated Special Warrant, unless otherwise requested in writing by the Depository or the Company.

(e) The rights of beneficial owners of Special Warrants who hold securities entitlements in respect of the Special Warrants through the book entry registration system shall be limited to those established by Applicable Legislation and agreements between the Depository and the Book Entry Only Participants and between such Book Entry Only Participants and the beneficial owners of Special Warrants who hold securities entitlements in respect of the Special Warrants through the book entry registration system, and such rights must be exercised through a Book Entry Only Participant in accordance with the rules and procedures of the Depository.

(f) Notwithstanding anything herein to the contrary, neither the Company nor the Special Warrant Agent nor any agent thereof shall have any responsibility or liability for:

(i) the electronic records maintained by the Depository relating to any ownership interests or any other interests in the Special Warrants or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any person in any Special Warrant represented by an electronic position in the book entry registration system (other than the Depository or its nominee);

(ii) maintaining, supervising or reviewing any records of the Depository or any Book Entry Only Participant relating to any such interest; or

(iii) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Book Entry Only Participant.

(g) The Company may terminate the application of this Section in its sole discretion in which case all Special Warrants shall be evidenced by Special Warrant Certificates registered in the name of a person other than the Depository.

2.4 Special Warrant Certificate

(a) For Special Warrants issued in certificated form, the form of certificate representing Special Warrants shall be substantially as set out inSchedule "A" hereto or such other form as is authorized from time to time by the Special Warrant Agent. Each Special Warrant Certificate shall be Authenticated on behalf of the Special Warrant Agent. Each Special Warrant Certificate shall be signed by any one duly authorized signatory of the Company; whose signature shall appear on the Special Warrant Certificate and may be printed, lithographed or otherwise mechanically reproduced thereon (including by way of facsimile signature or signature in Portable Document Format (PDF) and, in such event, certificates so signed are as valid and binding upon the Company as if it had been signed manually. Any Special Warrant Certificate which has one signature as hereinbefore provided shall be valid and binding notwithstanding that one or more of the persons whose signature is so printed, lithographed or mechanically reproduced no longer holds office at the date of issuance of such certificate. The Special Warrant Certificates may be engraved, printed or lithographed, or partly in one form and partly in another, as the Special Warrant Agent may determine.

(b) The Special Warrant Agent shall Authenticate Uncertificated Special Warrants (whether upon original issuance, exchange, registration of transfer, partial payment, or otherwise) by completing its Internal Procedures and the Company shall, and hereby acknowledges that it shall, thereupon be deemed to have duly and validly issued such Uncertificated Special Warrants under this Indenture. Such Authentication shall be conclusive evidence that such Uncertificated Special Warrant has been duly issued hereunder and that the holder or holders are entitled to the benefits of this Indenture. The register shall be final and conclusive evidence as to all matters relating to Uncertificated Special Warrants with respect to which this Indenture requires the Special Warrant Agent to maintain records or accounts. In case of differences between the register at any time and any other time, the register at the later time shall be controlling, absent manifest error, and such Uncertificated Special Warrants are binding on the Company.

(c) No Special Warrant shall be considered issued and shall be valid or obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by the Special Warrant Agent. Authentication by the Special Warrant Agent, including by way of entry on the register or otherwise, shall not be construed as a representation or warranty by the Special Warrant Agent as to the validity of this Indenture or of such Special Warrant Certificates or Uncertificated Special Warrants (except the due Authentication thereof) or as to the performance by the Company of its obligations under this Indenture and the Special Warrant Agent shall in no respect be liable or answerable for the use made of the Special Warrants or any of them or of the consideration thereof. Authentication by the Special Warrant Agent shall be conclusive evidence as against the Company that the Special Warrants so Authenticated have been duly issued hereunder and that the holder thereof is entitled to the benefits of this Indenture.

(d) No Special Warrant Certificate shall be considered issued and Authenticated or, if Authenticated, shall be obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by manual signature by or on behalf of the Special Warrant Agent substantially in the form of the Special Warrant Certificate set out in Schedule "A" hereto. Such Authentication on any such certificated Special Warrant shall be conclusive evidence that such Special Warrant Certificate is duly Authenticated and is valid and a binding obligation of the Company and that the holder is entitled to the benefits of this Indenture.

(e) No Uncertificated Special Warrant shall be considered issued and shall be obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by entry on the register of the particulars of the Uncertificated Special Warrants. Such entry on the register of the particulars of an Uncertificated Special Warrant shall be conclusive evidence that such Uncertificated Special Warrant is a valid and binding obligation of the Company and that the holder is entitled to the benefits of this Indenture.

(f) Each CDS Global Special Warrant originally issued in Canada and held by the Depository, and each CDS Global Special Warrant issued in exchange therefor or in substitution thereof shall bear or be deemed to bear the following legend or such variations thereof as the Company may prescribe from time to time:

> "UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO ALGERNON PHARMACEUTICALS INC. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS, OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS, HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE.
>
> THIS GLOBAL WARRANT HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OR AN EXEMPTION FROM REGISTRATION.
>
> UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY SHALL NOT TRADE THE SECURITY BEFORE [FOUR MONTHS AND ONE DAY AFTER THE ORIGINAL DATE OF ISSUANCE OF SPECIAL WARRANT(S)]."

2.5 Transferability and Ownership of Special Warrants

(a) The Company hereby appoints the Special Warrant Agent as registrar of the Special Warrants, whether certificated or uncertificated, which shall contain the information called for below with respect to each Special Warrant, together with such other information as may be required by law or as the Special Warrant Agent may elect to record. All such information shall be kept in one set of accounts and records, at the Special Warrant Agent's Vancouver office set forth in Section 1.1(ll), which the Special Warrant Agent shall designate (in such manner as shall permit it to be so identified as such by an unaffiliated party) as the register of the Special Warrantholders. The information to be entered for each account in the register of Special Warrants at any time shall include (without limitation):

(i) the name and address of the Special Warrantholder, the date of Authentication thereof and the number of Special Warrants held;

(ii) whether such Special Warrant is a certificated or uncertificated and, if certificated, the unique number or code assigned to and imprinted thereupon and, if an uncertificated, the unique number or code assigned thereto if any;

(iii) whether such Special Warrant has been cancelled; and

(iv) a register of transfers in which all transfers of Special Warrants and the date and other particulars of each transfer shall be entered.

The register shall be available for inspection by the Company and or any Special Warrantholder during the Special Warrant Agent's regular business hours on a Business Day and upon payment to the Special Warrant Agent of its reasonable fees. Any Special Warrantholder exercising such right of inspection shall first provide an affidavit in form satisfactory to the Company and the Special Warrant Agent stating the name and address of the Special Warrantholder and agreeing not to use the information therein except in connection with an effort to call a meeting of Special Warrantholders or to influence the voting of Special Warrantholders at any meeting of Special Warrantholders.

(b) Once an Uncertificated Special Warrant has been Authenticated, the information set forth in the register with respect thereto at the time of Authentication may be altered, modified, amended, supplemented or otherwise changed only to reflect exercise or proper instructions to the Special Warrant Agent from the holder as provided herein, except that the Special Warrant Agent may act unilaterally to make purely administrative changes internal to the Special Warrant Agent and changes to correct errors. Each person who becomes a holder of an Uncertificated Special Warrant, by his, her or its acquisition thereof shall be deemed to have irrevocably (i) consented to the foregoing authority of the Special Warrant Agent to make such minor error corrections and (ii) agreed to pay to the Special Warrant Agent, promptly upon written demand, the full amount of all loss and expense (including without limitation reasonable legal fees of the Company and the Special Warrant Agent plus interest, at an appropriate then prevailing rate of interest), sustained by the Company or the Special Warrant Agent as a proximate result of such error caused by the holder if but only if and only to the extent that such present or former holder realized any benefit as a result of such error and could reasonably have prevented, forestalled or minimized such loss and expense by prompt reporting of the error or avoidance of accepting benefits thereof whether or not such error is or should have been timely detected and corrected by the Special Warrant Agent; provided, that no person who is a bona fide purchaser shall have any such obligation to the Company or to the Special Warrant Agent.

(c) The Special Warrant Certificates may only be transferred by the Special Warrantholder (or its legal representatives or its attorney duly appointed), in accordance with Applicable Legislation and upon compliance with the conditions herein, on the register kept at the office of the Special Warrant Agent pursuant to Section 2.5(a) by delivering to the Special Warrant Agent's Vancouver office a duly executed Form of Transfer attached as Appendix 2 to the Special Warrant Certificate and a duly executed Special Warrant Transferee's Certificate attached as Appendix 3 to the Special Warrant Certificate and complying with such other reasonable requirements as the Company and the Special Warrant Agent may prescribe and such transfer shall be duly noted on the register by the Special Warrant Agent. In the case of Uncertificated Special Warrants, the legal or beneficial interest in the Special Warrants may only be transferred in accordance with the procedures of the Depository under its book-entry registration system.

(d) Notwithstanding anything contained in this Indenture, in the Special Warrant Certificate or in any subscription agreements under which Special Warrants were issued and sold, the Special Warrant Agent, relying solely on the Form of Transfer or such other reasonable requirements as the Company and Special Warrant Agent may prescribe pursuant to Section 2.5(b) or this Section shall not register any transfer of a Special Warrant unless the transfer is made in compliance with this Section or the Special Warrant is transferred outside the United States to a non-U.S. Person who properly completes, executes and delivers to the Special Warrant Agent a certificate in the form attached as Appendix 3 to the Special Warrant Certificate.

(e) If a Special Warrantholder (or any beneficial purchaser on whose behalf it is acting) decides to offer, sell, pledge or otherwise transfer any of the Special Warrants represented by a Special Warrant Certificate bearing the legend set forth in Section 5.9(a) hereof, or any of the Units underlying such Special Warrant Certificate, they may be offered, sold, pledged or otherwise transferred only:

(i) to the Company;

(ii) outside the United States in compliance with the requirements of Rules 903 or 904 of Regulation S, as applicable, and in compliance with applicable local laws and regulations;

(iii) within the United States, in accordance with (A) Rule 144A under the U.S. Securities Act, if available, to a person the seller reasonably believes is a Qualified Institutional Buyer that is purchasing for its own account or for the account of one or more Qualified Institutional Buyers and to whom notice is given that the offer, sale, pledge or transfer is being made in reliance upon Rule 144A, if available, or (B) Rule 144 under the U.S. Securities Act, if available, and, in either case, in compliance with any applicable state securities laws;

(iv) in another transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws; or

(v) pursuant to an effective registration statement under the U.S. Securities Act, after (A) in the case of proposed transfers pursuant to Rule 904 as set forth in (ii) above, providing a declaration to the Company and the Special Warrant Agent in the form attached hereto as Appendix 4 to the Special Warrant Certificate (or such other form as the Company may prescribe from time to time), together with such additional documentation as the Company or Special Warrant Agent may require, and (B) in the case of proposed transfers pursuant to (iii)(B) or (iv) above, providing an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Company, to the effect that the proposed transfer may be effected without registration under the U.S. Securities Act and applicable state securities laws;

(f) If a Special Warrant Certificate not bearing the legend set forth in Section 5.9(a) hereof is tendered for transfer, the Special Warrant Agent shall not register such transfer if it has reason to believe that the transferee is in the United States or is a U.S. Person, or is acquiring the Special Warrants evidenced thereby for the account or benefit of a person in the United States or a U.S. Person, or if the Company has provided written instructions to the Special Warrant Agent prior to such exercise or Automatic Exercise to the effect that the Company believes such exercise or Automatic Exercise would not comply with the U.S. Securities Act or applicable state securities laws.

(g) The Company shall direct the Special Warrant Agent as to matters related to the applicable hold periods and applicable securities legislation. The Special Warrant Agent shall have no obligation to ensure or verify compliance with any Applicable Legislation or regulatory requirements on the issue, exercise or transfer of any Special Warrants, Unit Shares, Unit Warrants or other securities issuable upon the exercise of any Special Warrants. The Special Warrant Agent shall be entitled to process all proffered transfers and exercises of Special Warrants upon the presumption that such transfers or exercises are permissible pursuant to all Applicable Legislation and regulatory requirements and the terms of this Indenture. The Special Warrant Agent may assume for the purposes of this Indenture that the address on the register of Special Warrantholders of any Special Warrantholder is the Special Warrantholder's actual address and is also determinative of the Special Warrantholder's residency and that the address of any transferee to whom any Special Warrants or any Unit Shares and Unit Warrants comprising the Units are to be registered, as shown on the transfer document, is the transferee's actual address and is also determinative of the transferee's residency.

(h) Upon any transfer of Special Warrants in accordance with the provisions of this Indenture, the Company shall covenant and agree with the Special Warrant Agent, on behalf of the transferee holder and with the transferee holder, that the transferee holder is a permitted assignee of the transferring holder and is entitled to the benefits of the covenant of the Company to be set forth under the heading "Contractual Right of Rescission" in the Prospectus and under Section 5.12 in this Indenture, subject to the restrictions and limitations hereunder. Should a holder of Special Warrants exercise any legal, statutory, contractual or other right of withdrawal or rescission that may be available to it, the Special Warrant Agent shall not be responsible for ensuring the Special Warrants or the exercise of Special Warrants is cancelled and a refund of the holder's funds is paid back to the holder. In such cases, the holder shall seek a refund directly from the Company and subsequently, the Company shall instruct the Special Warrant Agent in writing, to cancel the Special Warrants or exercise transaction and any underlying shares on the register, which may have already been issued upon the Special Warrant exercise.

(i) A person who furnishes evidence that he is, to the reasonable satisfaction of the Special Warrant Agent:

(i) the executor, administrator, heir or legal representative of the heirs of the estate of a deceased Special Warrantholder;

(ii) a guardian, committee, trustee, curator or tutor representing a Special Warrantholder who is an infant, an incompetent person or a missing person; or

(iii) a liquidator or, a trustee in bankruptcy for, a Special Warrantholder,

may, as hereinafter stated, by surrendering such evidence together with the Special Warrant Certificate in question to the Special Warrant Agent (by delivery or mail as set forth in Section 9.1 hereof), and subject to such reasonable requirements as the Special Warrant Agent may prescribe and all applicable securities legislation and requirements of regulatory authorities, become noted upon the register of Special Warrantholders. After receiving the surrendered Special Warrant Certificate and upon the person surrendering the Special Warrant Certificate meeting the requirements as hereinbefore set forth, the Special Warrant Agent shall forthwith give written notice thereof together with confirmation as to the identity of the person entitled to become the holder to the Company. Forthwith after receiving written notice from the Special Warrant Agent as aforesaid, the Company shall cause a new Special Warrant Certificate to be issued and sent to the new holder and the Special Warrant Agent shall alter the register of Special Warrantholders accordingly.

(j) The Company and the Special Warrant Agent shall deem and treat the registered holder of any Special Warrant as the absolute legal and beneficial owner thereof for all purposes, free from all equities or rights of set off or counterclaim between the Company and any previous holder of such Special Warrant, save in respect of equities of which the Company is required to take notice by statute or by order of a court of competent jurisdiction, and neither the Company nor the Special Warrant Agent is affected by any notice to the contrary.

(k) Subject to the provisions of this Indenture and Applicable Legislation, each Special Warrantholder is entitled to the rights and privileges attaching to the Special Warrants, and the issue of the Units by the Company on exercise of Special Warrants by any Special Warrantholder in accordance with the terms and conditions herein contained discharges all responsibilities of the Company and the Special Warrant Agent with respect to such Special Warrants and neither the Company nor the Special Warrant Agent is bound to inquire into the title of any such registered holder.

(l) No charge will be levied on a presenter of a Special Warrant Certificate pursuant to this Indenture for the transfer of any Special Warrant.

(m) Notwithstanding any other provision of this Section 2.5, in connection with any transfer of Special Warrants, the transferor and transferee shall comply with all reasonable requirements of the Special Warrant Agent as the Special Warrant Agent may deem necessary to secure the obligations of the transferee of such Special Warrants with respect to such transfer or the sale of such Special Warrants to the Company pursuant to Section 2.12.

2.6 Special Warrantholders Not Shareholders

A Special Warrantholder is not deemed or regarded as a shareholder of the Company nor is such Special Warrantholder entitled to any right or interest except as is expressly provided in this Indenture and in the Special Warrant Certificates.

2.7 Signing of Special Warrants

Any one director or officer of the Company shall sign the Special Warrant Certificates either manually or by electronic signature. An electronic signature upon any Special Warrant Certificate is, for all purposes hereof, deemed to be the signature of the person whose signature it purports to be and to have been signed at the time such electronic signature is reproduced. If a person whose signature, either manually or in electronic form, appears on a Special Warrant Certificate is not a director or officer of the Company at the date of this Indenture or at the date of the countersigning and delivery of such Special Warrant Certificate, such fact does not affect in any way the validity of the Special Warrants or the entitlement of the Special Warrantholder to the benefits of this Indenture or of the Special Warrant Certificate.

2.8 Countersigning

The Special Warrant Agent shall countersign the Special Warrant Certificates and Authenticated Uncertificated Special Warrants upon the written direction of the Company. No Special Warrant Certificate shall be issued, or if issued, is valid or exercisable or entitles the holder thereof to the benefits of this Indenture until the Special Warrant Certificate has been countersigned by the Special Warrant Agent or the Uncertificated Special Warrant has been Authenticated by the Special Warrant Agent, as the case may be. The countersignature or Authentication by or on behalf of the Special Warrant Agent will be conclusive evidence as against the Company that the Special Warrant Certificate so countersigned or Uncertificated Special Warrant so Authenticated has been duly issued hereunder and that the holder is entitled to the benefit hereof. The countersignature by or on behalf of the Special Warrant Agent on any Special Warrant Certificate or the Authentication of any Uncertificated Special Warrant by or on behalf of the Special Warrant Agent is not to be construed as a representation or warranty by the Special Warrant Agent as to the validity of this Indenture or of the Special Warrants or as to the performance by the Company of its obligations under this Indenture and the Special Warrant Agent is in no way liable or answerable for the use made of the Special Warrants or the proceeds from the issuance thereof, except as specified by this Indenture. The countersignature or Authentication, as the case may be, by or on behalf of the Special Warrant Agent is, however, a representation and warranty of the Special Warrant Agent that the Special Warrant Certificate has been duly countersigned or Authenticated by or on behalf of the Special Warrant Agent pursuant to the provisions of this Indenture.

2.9 Loss, Mutilation, Destruction or Theft of Special Warrants

In case any of the Special Warrant Certificates issued and countersigned hereunder is mutilated or lost, destroyed or stolen, the Company, in its discretion, may issue and thereupon the Special Warrant Agent will countersign and deliver a new Special Warrant Certificate of like date and tenor, and bearing the same legend, as applicable, in exchange for and in place of the one mutilated, lost, destroyed or stolen and upon surrender and cancellation of such mutilated Special Warrant Certificate or in lieu of and in substitution for such lost, destroyed or stolen Special Warrant Certificate and the substituted Special Warrant Certificate entitles the holder thereof to the benefits hereof and ranks equally in accordance with its terms with all other Special Warrants issued hereunder.

The Special Warrantholder applying for the issue of a new Special Warrant Certificate pursuant to this Section shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Company and the Special Warrant Agent such evidence of ownership and of the loss, destruction or theft of the Special Warrant Certificate so lost, destroyed or stolen as is satisfactory to the Company and the Special Warrant Agent in their discretion. The Company and the Special Warrant Agent shall also, as a condition precedent to issuing a new Special Warrant Certificate, require such applicant to furnish an indemnity and surety bond in amount and form satisfactory to the Company and Special Warrant Agent in their sole discretion but acting reasonably, and the applicant shall pay the reasonable charges of the Company and the Special Warrant Agent in connection therewith.

2.10 Exchange of Special Warrants

A Special Warrantholder may, upon compliance with the reasonable requirements of the Special Warrant Agent (including compliance with applicable securities laws) at any time prior to the Automatic Exercise Time, by written instruction delivered to the Special Warrant Agent at the office of the Special Warrant Agent set forth in Section 1.1, exchange his Special Warrant Certificates for Special Warrant Certificates evidencing Special Warrants in other denominations entitling the Special Warrantholder to acquire in the aggregate the same number of Units to which it was entitled to acquire under the Special Warrant Certificates so surrendered, in which case the Special Warrant Agent may make a charge sufficient to reimburse it for any government fees or charges required to be paid and such reasonable fees as the Special Warrant Agent may determine for every Special Warrant Certificate issued upon exchange. The Special Warrantholder surrendering such Special Warrant Certificate shall bear such fee and charge. Payment of the charges is a condition precedent to the exchange of the Special Warrant Certificate. The Company shall sign and the Special Warrant Agent shall countersign all Special Warrant Certificates necessary to carry out exchanges as aforesaid.

Special Warrant Certificates exchanged for Special Warrant Certificates that bear the legend set forth in Section 5.9 shall bear the same legend.

2.11 Ranking

All Special Warrants will have the same attributes and rank *pari passu* regardless of the date of actual issue.

2.12 Purchase of Special Warrants for Cancellation

Subject to Applicable Legislation, the Company may, at any time or from time to time, purchase all or any of the Special Warrants in the market, by private contract or otherwise, on such terms as the Company may determine. Any such purchase shall be made at the lowest price or prices at which, in the opinion of the directors, such Special Warrants are then obtainable plus reasonable costs of purchase. The Special Warrants (and if applicable, the Special Warrant Certificates representing the Special Warrants) purchased hereunder by the Company shall immediately following purchase, be delivered to and cancelled by the Special Warrant Agent and no Special Warrants shall be issued in substitution therefor. In the case of Uncertificated Special Warrants, the Special Warrants purchased pursuant to this Section 2.12 shall be reflected accordingly on the register of the Special Warrants and in accordance with procedures prescribed by the Depository under the book-entry registration system. No Special Warrants shall be issued in replacement thereof.

2.13 Cancellation of Surrendered Special Warrants

All Special Warrant Certificates surrendered pursuant to Article 5 shall be cancelled by the Special Warrant Agent and upon such circumstances all such Uncertificated Special Warrants shall be deemed cancelled and so noted on the register by the Special Warrant Agent.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY

So long as any Special Warrants remain outstanding, the Company represents, warrants, covenants and agrees with the Special Warrant Agent for the benefit of the Special Warrant Agent and Special Warrantholders as follows:

3.1 To Issue Special Warrants and Reserve Common Shares and Unit Warrants

(a) That it is duly authorized to create and issue the Special Warrants and that the Special Warrants, when issued and, in the case of certificated Special Warrants, countersigned by the Special Warrant Agent, will be legal, valid, binding and enforceable against the Company in accordance with their terms and the terms of this Indenture and that, subject to the provisions of this Indenture, the Company shall cause the Unit Shares and Unit Warrants comprising the Units acquired pursuant to the exercise or automatic exercise of Special Warrants and the certificates (if any) representing such securities, to be duly issued and delivered in accordance with the terms of the Special Warrants and this Indenture without payment of additional consideration by the Special Warrantholders.

(b) That the Company has reserved, allotted and set aside for issuance out of its authorized capital a number of Unit Shares (including additional Unit Shares issuable pursuant to the Penalty Provision) and shall direct the agent for the Unit Warrants to reserve and allot out of the Unit Warrant reserve a number of Unit Warrants (including additional Unit Warrants issuable pursuant to the Penalty Provision) sufficient in each case to enable the Company to meet its obligations to issue Units in respect of the exercise or automatic exercise of all Special Warrants outstanding from time to time. All Unit Shares (including additional Unit Shares issuable pursuant to the Penalty Provision) issued pursuant to the exercise or automatic exercise of the Special Warrants shall be fully paid and non-assessable and free and clear of all encumbrances arising through or under the Company. All Unit Warrants (including additional Unit Warrants issuable pursuant to the Penalty Provision) issued pursuant to the exercise or automatic exercise of the Special Warrants will be issued as fully paid securities and will be legal, valid, binding and enforceable obligations of the Company and free and clear of all encumbrances arising through or under the Company.

(c) That AST Trust Company (Canada) is the registrar and transfer agent of the Unit Shares, and is duly authorized to countersign, register and issue certificates representing, or otherwise document or evidence ownership of, such Unit Shares, in each case in accordance with and pursuant to the terms of this Indenture.

(d) That AST Trust Company (Canada) is the warrant agent of the Unit Warrants, and is duly authorized to countersign, register and issue certificates representing, or document such other evidence of ownership of, such Unit Warrants, in each case in accordance with and pursuant to the terms of this Indenture and the Warrant Indenture.

3.2 To Execute Further Assurances

That it shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, all other acts, deeds and assurances in law as may reasonably be required for the better accomplishing and effecting of the intentions and provisions of this Indenture.

3.3 To Carry On Business

That subject to the express provisions hereof, it shall carry on and conduct and shall cause to be carried on and conducted its business in the same manner as heretofore carried on and conducted and in accordance with industry standards and good business practice, provided, however, that the Company or any Subsidiary of the Company may cease to operate or may dispose of any business, premises, property, assets or operation if in the opinion of the directors or officers of the Company or any Subsidiary of the Company, as the case may be, it would be advisable and in the best interests of the Company or any Subsidiary of the Company, as the case may be, to do so, and subject to the express provisions hereof, it shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, provided, however, that nothing herein contained shall prevent the amalgamation, consolidation, merger, sale, winding-up or liquidation of the Company or any Subsidiary of the Company or the abandonment of any rights and franchises of the Company or any Subsidiary of the Company if, in the opinion of the directors or officers of the Company or any Subsidiary of the Company, as the case may be, it is advisable and in the best interest of the Company or of such Subsidiary of the Company to do so.

3.4 Reporting Issuer

That the Company is presently a reporting issuer not in default in British Columbia, Alberta, Saskatchewan and Ontario and will use its commercially reasonable efforts to maintain its status in such jurisdictions and in each other Designated Jurisdiction in which the Company becomes a reporting issuer for a period of 24 months following the date hereof.

3.5 No Breach of Constating Documents

That the issue and sale of the Special Warrants and the issue of the Unit Shares and Unit Warrants comprising the Units do not or will not conflict with any of the terms, conditions or provisions of the constating documents of the Company or the articles, by-laws or resolutions of the Company or any trust indenture, loan agreement or any other agreement or instrument to which the Company or any Subsidiary is contractually bound as of the date of this Indenture.

3.6 Filing Prospectus and Related Matters

That the Company shall use its commercially reasonable efforts to file the Prospectus with the Commissions and to obtain the Receipt for the Prospectus before the Qualification Deadline; provided however that there is no assurance that a Prospectus will be filed or that a Receipt for the Prospectus will be issued by the Commissions prior to the expiry of the statutory four month hold period. If by the Qualification Deadline, the Prospectus has not been filed or a Receipt for the Prospectus has not been issued, the Company shall continue to use its commercially reasonable efforts to file the Prospectus or obtain the Receipt for the Prospectus as soon as possible thereafter.

3.7 Notices to Special Warrant Agent

That upon the filing of the Prospectus or obtaining the Receipt for the Prospectus or as contemplated in Section3.6, the Company shall forthwith, and in any event not later than the first Business Day thereafter:

(a) give written notice to the Special Warrant Agent and the Agent of the issuance of the Receipt for the Prospectus or the filing of the Prospectus and the date upon which the Special Warrants will be automatically exercised; and

(b) provide written confirmation to the Special Warrant Agent and the Agent of any adjustment that has been made pursuant to Article4.

3.8 Securities Qualification Requirements

That if any instrument is required to be filed with or any permission, order or ruling is required to be obtained from the Commissions or any other step is required under any federal or provincial law of the Designated Jurisdictions before any securities or property which a Special Warrantholder is entitled to receive pursuant to the exercise or automatic exercise of a Special Warrant may properly and legally be delivered upon the due exercise or automatic exercise of a Special Warrant, the Company covenants that it shall use its reasonable efforts to make such filing, obtain such permission, order or ruling and take all such action, at its expense, as is required or appropriate in the circumstances.

3.9 Maintain Listing

Except to the extent that the Company participates in a takeover bid, merger, arrangement, amalgamation, or other form of sale or business combination transaction that the Company will use its commercially reasonable efforts to maintain the listing of the Common Shares which are outstanding on the Canadian Securities Exchange for a period of 24 months following the date hereof and ensure that the Unit Shares and Common Shares issuable upon exercise of the Unit Warrants will be accepted for trading and listed on such exchange as of the Automatic Exercise Time.

3.10 Satisfy Covenants

That the Company will comply with all covenants and satisfy all terms and conditions on its part to be performed and satisfied under this Indenture and advise the Agent, the Special Warrant Agent and the Special Warrantholders promptly in writing of any default under the terms of this Indenture.

3.11 Performance of Covenants by Special Warrant Agent

If the Company shall fail to perform any of its covenants contained in this Indenture and the Company has not rectified such failure within ten (10) Business Days after receiving notice of such failure by the Special Warrant Agent, the Special Warrant Agent may notify the Special Warrantholders of such failure on the part of the Company or may itself perform any of the covenants capable of being performed by it but, shall be under no obligation to perform said covenants or to notify the Special Warrantholders of such performance by it. All sums expended or advanced by the Special Warrant Agent in so doing shall be repayable as provided in Section 3.12. No such performance, expenditure or advance by the Special Warrant Agent shall relieve the Company of any default hereunder or of its continuing obligations under the covenants herein contained.

3.12 Special Warrant Agent's Remuneration and Expenses

The Company will pay the Special Warrant Agent from time to time such reasonable remuneration for its services hereunder as may be agreed upon between the Company and the Special Warrant Agent and will pay or reimburse the Special Warrant Agent upon its request for all reasonable expenses and disbursements and advances properly incurred or made by the Special Warrant Agent in the administration or execution of its duties hereby created (including the reasonable compensation and disbursements of its counsel and all other advisers and assistants not regularly in its employ), both before any default hereunder and thereafter until all duties of the Special Warrant Agent hereunder shall be finally and fully performed, except any such expense, disbursement or advance as may arise from the gross negligence or wilful misconduct of the Special Warrant Agent. Any amount owing hereunder and remaining unpaid after 30 days from the invoice date will bear interest at the then current rate charged by the Special Warrant Agent against unpaid invoices and shall be payable upon demand. This Section shall survive the resignation of the Special Warrant Agent and/or the termination of this Indenture.

3.13 Trust for Special Warrantholder's Benefit

The covenants of the Company to the Special Warrant Agent provided for in this Indenture shall be held in trust by the Special Warrant Agent for the benefit of the Special Warrantholders.

3.14 Notice to Special Warrantholders of Certain Events

The Company covenants with the Special Warrant Agent for the benefit of the Special Warrant Agent and the Special Warrantholders that, so long as any of the Special Warrants are outstanding, it will not:

(a) pay any dividend payable in shares of any class to the holders of its Common Shares or make any other distribution to the holders of its Common Shares;

(b) offer to the holders of its Common Shares rights to subscribe for or to purchase any Common Shares or shares of any class or any other securities, rights, warrants or options;

(c) make any repayment of capital on, or distribution of evidences of indebtedness on, any of its assets (excluding cash dividends) to the holders of Common Shares;

(d) amalgamate, consolidate or merge with any other person or sell or lease the whole or substantially the whole of its assets or undertaking;

(e) effect any subdivision, consolidation or reclassification of its Common Shares; or

(f) liquidate, dissolve or wind-up,

unless, in each such case, the Company will have given notice, in the manner specified in Section 9.2, to each Special Warrantholder, of the action proposed to be taken and the date on which (a) the books of the Company will close or a record will be taken for such dividend, repayment, distribution, subscription rights or other rights, warrants or securities, or (b) such subdivision, consolidation, reclassification, amalgamation, merger, sale or lease, dissolution, liquidation or winding-up will take place, as the case may be, provided that the Company will only be required to specify in the notice those particulars of the action as will have been fixed and determined at the date on which the notice is given. The notice will also specify the date as of which the holders of Common Shares of record will participate in the dividend, repayment, distribution, subscription of rights or other securities, rights, warrants or options, or will be entitled to exchange their Common Shares for securities or other property deliverable upon such reclassification, amalgamation, subdivision, consolidation, merger, sale or lease, other disposition, dissolution, liquidation or winding-up, as the case may be. The notice will be given, with respect to the actions described in Sections (a), (b), (c), (d), (e) and (f) above not less than 10 days prior to the record date or the date on which the Company's transfer books are to be closed with respect thereto.

3.15 Closure of Share Transfer Books

The Company further covenants and agrees that it will not during the period of any notice given under Section 9 close its share transfer books or take any other corporate action which might deprive the Special Warrantholders of the opportunity of exercising their Special Warrants; provided that nothing contained in this Section 3.15 will be deemed to affect the right of the Company to do or take part in any of the things referred to in Section 3.14 or to pay cash dividends on the shares of any class or clauses in its capital from time to time outstanding.

3.16 No Payment of Commissions

The Company will not pay or give any commission or other remuneration within the meaning of section 3(a)(9) of the U.S. Securities Act to any person, directly or indirectly, for soliciting or in respect of the exercise of the Special Warrants.

4. ADJUSTMENT OF NUMBER OF UNITS

4.1 Adjustment of Number of Units

The rights to acquire Units in effect at any date attaching to the Special Warrants are subject to adjustment from time to time as follows:

(a) if the Qualification Date has not occurred on or before the Qualification Deadline, each Special Warrantholder shall be entitled to acquire i) one Unit plus an additional 0.1 of a Unit (for a total of 1.1 Units) and ii) thereafter at the end of each additional 30-day period prior to the Qualification Date, an additional 0.02 of a Unit, for each Special Warrant exercised or automatically exercised by such holder, subject to adjustment in accordance with the following provisions of this Article 4, at any time after the Qualification Deadline until and including the Automatic Exercise Time at no additional cost to, and without further act or formality by, the Special Warrantholder (the "**Penalty Provision**");

(b) if and whenever at any time from the date hereof and prior to the Automatic Exercise Time, the Company:

(i) subdivides, redivides or changes its outstanding Common Shares into a greater number of shares;

(ii) consolidates, reduces or combines its outstanding Common Shares into a smaller number of shares; or

(iii) issues Common Shares or securities exchangeable or exercisable for or convertible into Common Shares ("**convertible securities**") to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend;

(any of the above being a "**Common Share Reorganization**"), the number of Units issuable upon the exercise of each Special Warrant will be adjusted immediately after the effective date of the Common Share Reorganization or on the record date for the issue of Common Shares or exchangeable, exercisable or convertible securities by way of stock dividend, by multiplying the number of Units previously obtainable on the exercise of a Special Warrant by the fraction of which:

(A) the numerator is the total number of Common Shares outstanding immediately after the effective or record date of the Common Share Reorganization, or, in the case of the issuance of exchangeable, exercisable or convertible securities, the total number of Common Shares outstanding immediately after the effective or record date of the Common Share Reorganization plus the total number of Common Shares issuable upon conversion, exercise or exchange of such convertible securities; and

(B) the denominator is the total number of Common Shares outstanding immediately prior to the applicable effective or record date of such Common Share Reorganization;

and the Company and Special Warrant Agent, upon receipt of notice pursuant to Section 4.3, shall make such adjustment successively whenever any event referred to in this Section 4.1(a) occurs and any such issue of Common Shares or convertible, exchangeable or exercisable securities by way of a stock dividend is deemed to have occurred on the record date for the stock dividend for the purpose of calculating the number of outstanding Common Shares under this Section 4.1(a). To the extent that any convertible securities are not converted into or exchanged for Common Shares, prior to the expiration thereof, the number of Units obtainable under each Special Warrant shall be readjusted to the number of Units that is then obtainable based upon the number of Common Shares actually issued on conversion or exchange of such convertible securities;

(c) if and whenever at any time from the date hereof and prior to the Automatic Exercise Time the Company shall fix a record date for the issue of rights, options or warrants to all or substantially all of the holders of Common Shares under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issue ("**Rights Period**"), to subscribe for or acquire Common Shares at a price per share to the holder of less than 95% of the Current Market Price for the Common Shares on such record date (any of such events being called a "**Rights Offering**"), then the number of Units obtainable upon the exercise of each Special Warrant shall be adjusted effective immediately after the end of the Rights Period to a number determined by multiplying the number of Units obtainable upon the exercise of a Special Warrant immediately prior to the end of the Rights Period by a fraction:

(i) the numerator of which shall be the number of Common Shares outstanding after giving effect to the Rights Offering and including the number of Common Shares actually issued or subscribed for during the Rights Period upon exercise of the rights, warrants or options under the Rights Offering; and

(ii) the denominator of which shall be the aggregate of:

(A) the number of Common Shares outstanding as of the record date for the Rights Offering, and

(B) a number determined by dividing (1) the product of the number of Common Shares issued or subscribed during the Rights Period upon the exercise of the rights, warrants, or options under the Rights Offering and the price at which such Common Shares are offered by (2) the Current Market Price of the Common Shares as of the record date for the Rights Offering;

(d) if and whenever at any time from the date hereof and prior to the Automatic Exercise Time the Company shall issue or distribute to all or to substantially all of the holders of the Common Shares:

(i) securities of the Company including rights, options or warrants to acquire shares of any class or securities exchangeable or exercisable for, or convertible into, any such shares or property or assets or evidence of its indebtedness; or

(ii) any property (including cash) or other assets,

and if such issuance or distribution does not constitute a Common Share Reorganization or a Rights Offering (any of such non-excluded events being herein called a "**Special Distribution**"), the number of Units obtainable upon the exercise of each Special Warrant shall be adjusted effective immediately after the record date at which the holders of affected Common Shares are determined for purposes of the Special Distribution to a number determined by multiplying the number of Units obtainable upon the exercise of a Special Warrant in effect on such record date by a fraction:

(iii) the numerator of which shall be the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date; and

(iv) the denominator of which shall be:

(A) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date, less

(B) the excess, if any, of (1) the fair market value on such record date, as determined by action by the directors (whose determination absent manifest error shall be conclusive), to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution over (2) the fair market value of the consideration received therefor by the Company from the holders of the Common Shares, as determined by action by the directors (whose determination shall, absent manifest error, be conclusive);

(e) if and whenever at any time from the date hereof and prior to the Automatic Exercise Time, there is a reclassification of the Common Shares or a change or exchange in the Common Shares into or for other shares or securities, or a capital reorganization of the Company other than as described in Section 4.1(a) or the triggering of a shareholders' rights plan or a consolidation, amalgamation, arrangement or merger of the Company with or into any other body corporate, trust, partnership or other entity, or a transfer, sale or conveyance of the property and assets of the Company as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity, any of such events being referred to as a "**Capital Reorganization**", every Special Warrantholder who has not exercised its right of acquisition of Units, as at the effective date of such Capital Reorganization is entitled to receive upon exercise of Special Warrants in accordance with the terms and conditions hereof and shall accept, in lieu of the number of Unit Shares and Unit Warrants obtainable under the Special Warrants to which it was previously entitled, the kind and number of Units or other securities or property of the Company or successor thereto that the Special Warrantholder would have been entitled to receive on such Capital Reorganization, if, on the record date or the effective date thereof, as the case may be, the Special Warrantholder had been the registered holder of the number of Units obtainable upon the exercise of Special Warrants then held, subject to adjustment thereafter in accordance with provisions of the same, as nearly as may be possible, as those contained in this Section 4.1. The Company shall not carry into effect any action requiring an adjustment pursuant to this Section 4.1(e) unless all necessary steps have been taken so that the Special Warrantholders are thereafter entitled to receive such kind and number of Units, other securities or property. The Company will not enter into a Capital Reorganization unless its successor, or the purchasing body corporate, partnership, trust or other entity, as the case may be, prior to or contemporaneously with any such Capital Reorganization, enters into an indenture which provides, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Special Warrantholders to the end that the provisions set forth in this Indenture are correspondingly made applicable, as nearly as may reasonably be practicable, with respect to any shares, other securities or property to which a Special Warrantholder is entitled on the exercise of his, her or its acquisition rights thereafter. An indenture entered into by the Company pursuant to the provisions of this Section 4.1(e) is deemed a supplemental indenture entered into pursuant to the provisions of Article 7. An indenture entered into between the Company, any successor to the Company or any purchasing body corporate, partnership, trust or other entity and the Special Warrant Agent must provide for adjustments which are as nearly equivalent as may be practicable to the adjustments provided in this Section 4.1 and which apply to successive Capital Reorganizations;

(f) where this Section 4.1 requires that an adjustment becomes effective immediately after a record date or effective date, as the case may be, for an event referred to herein, the Company may defer, until the occurrence of that event, issuing to the Special Warrantholder exercising his acquisition rights after the record date or effective date, as the case may be and before the occurrence of that event the adjusted number of Units, other securities or property issuable upon the exercise or automatic exercise of the Special Warrants by reason of the adjustment required by that event. If the Company relies on this Section 4.1(f) to defer issuing an adjusted number of Units (or Unit Shares and Unit Warrants comprising such Units), other securities or property to a Special Warrantholder, the Special Warrantholder has the right to receive any distributions made on the adjusted number of Units, other securities or property declared in favour of holders of record on and after the date of exercise or such later date as the Special Warrantholder would but for the provisions of this Section 4.1(f), have become the holder of record of the adjusted number of Units, other securities or property;

(g) the adjustments provided for in this Section 4.1 are cumulative. After any adjustment pursuant to this Section 4.1, the terms "Units", "Unit Shares" and "Unit Warrants" where used in this Indenture is interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section, the Special Warrantholder is entitled to receive upon the exercise of his Special Warrant, and the number of Units obtainable in any exercise made pursuant to a Special Warrant is interpreted to mean the number of Units or other property or securities a Special Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, upon the full exercise of a Special Warrant;

(h) notwithstanding anything in this Article 4, no adjustment shall be made in the acquisition rights attached to the Special Warrants if the issue of Common Shares is being made pursuant to any stock option or stock purchase plan in force from time to time for directors, officers or employees of the Company;

(i) in the event of a question arising with respect to the adjustments provided for in this Section 4.1, that question shall be conclusively determined by the Company's auditors who shall have access to all necessary records of the Company, and a determination by the Company's auditors is binding upon the Company, the Special Warrant Agent, all Special Warrantholders and all other persons interested therein; and

(j) no adjustment in the number of Units obtainable upon exercise or automatic exercise of Special Warrants shall be made in respect of any event described in this Section 4.1, other than the events referred in clauses (i) and (ii) of Section (b) thereof, if the Special Warrantholders are entitled to participate in such event on the same terms, *mutatis mutandis*, as if the Special Warrantholders had exercised their Special Warrants prior to or on the effective date or record date of such event.

4.2 Proceedings Prior to any Action Requiring Adjustment

As a condition precedent to the taking of any action which requires an adjustment in any of the acquisition rights pursuant to the Special Warrants, including the number of Units obtainable upon the exercise or automatic exercise thereof, the Company shall take any corporate action which may in its opinion be necessary in order that the Company or any successor to the Company has unissued and reserved Common Shares in its authorized capital and may validly and legally issue as fully paid and non-assessable all the Unit Shares and may validly and legally issue and deliver all Unit Warrants and any other securities or property which the Special Warrantholders are entitled to receive on the full exercise of the Special Warrants in accordance with the provisions hereof.

4.3 Certificate of Adjustment

The Company shall from time to time immediately after the occurrence of any event which requires an adjustment as provided in Section 4.1, deliver a notice to the Special Warrantholders and the Special Warrant Agent specifying the nature of the event requiring the adjustment, the amount of the adjustment necessitated thereby, and setting forth in reasonable detail the method of calculation and the facts upon which the calculation is based. In the event of a dispute about such calculation, the certificate shall be supported by a certificate of the Company's auditors verifying such calculation. The Special Warrant Agent shall rely, and shall be protected in so doing, upon the certificate of the Company or the Company's auditor and any other document filed by the Company pursuant to this Article 4 for all purposes.

4.4 No Action After Notice

The Company covenants with the Special Warrant Agent that it will not close its transfer books or take any other corporate action which might deprive the holder of a Special Warrant of the opportunity of exercising the Special Warrants during the period of 14 days after giving of the notice set forth in Section 4.3 hereof and 4.6 hereof.

4.5 Protection of Special Warrant Agent

The Special Warrant Agent shall not:

(a) at any time be under any duty or responsibility to a Special Warrantholder to determine whether any facts exist which require any adjustment contemplated by Section 4.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) be accountable with respect to the validity or value (or the kind or amount) of any shares or other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Special Warrant;

(c) be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver Unit Shares or Unit Warrants comprising the Units or certificates for the Unit Shares or Unit Warrants comprising the Units upon the surrender of any Special Warrants for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Article 4; and

(d) incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Company of any of the representations, warranties or covenants herein contained or of any acts of the Agent or servants of the Company.

4.6 Notice of Special Matters

The Company covenants with the Special Warrant Agent that so long as any Special Warrants remain outstanding it will give notice, not less than 14 days prior to the applicable record date, in the manner provided for in Article 9 to the Special Warrant Agent, each Special Warrantholder and to the Agent of any event which requires an adjustment to the subscription rights attaching to any of the Special Warrants pursuant to this Article 4. The Company covenants and agrees that such notice shall contain the particulars of such event in reasonable detail and, if determinable, the required adjustment in the manner provided for in Article 9. The Company further covenants and agrees that it shall promptly, as soon as the adjustment calculations are reasonably determinable, file a certificate of an officer of the Company with the Special Warrant Agent, on which the Special Warrant Agent may act and rely and be protected in so acting and relying, showing how such adjustment shall be computed and give notice to the Special Warrantholders and the Agent of such adjustment computation.

5. EXERCISE AND CANCELLATION OF SPECIAL WARRANTS

5.1 Notice of Automatic Exercise to Special Warrantholders

Upon receipt of notice from the Company in accordance with Section3.7, the Special Warrant Agent shall give written notice, in the form to be provided by the Company to the Special Warrant Agent, to each holder of a Special Warrant concurrently with delivery of the certificates representing the Unit Shares and Unit Warrants comprising the Units in accordance with Section 5.3, which notice will include a statement that any Special Warrants not exercised prior to the Automatic Exercise Time will be automatically exercised pursuant to Section 5.3 and will include confirmation that no adjustment has occurred pursuant to section4.1, or if an adjustment has occurred, provide a certificate as set forth in Section
4.3 herein.

5.2 Voluntary Exercise of Special Warrants

(a) Each Special Warrant may be exercised by the holder thereof at any time on or after the Closing Date, but not at or after the Automatic Exercise Time, upon the terms and subject to the conditions set forth herein.

(b) Subject to and upon compliance with the provisions of this Section 5.2, the holder of any Special Warrant Certificate may exercise the right therein provided for, prior to the Automatic Exercise Time, by surrendering the Special Warrant Certificate to the Special Warrant Agent at its principal transfer office in the City of Vancouver, British Columbia or at such additional place or places as may be designated by the Company from time to time with the approval of the Special Warrant Agent during normal business hours on a Business Day at that place before the Automatic Exercise Time, together with the exercise form(s) in the form attached as Appendix 1 to the Special Warrant Certificate(s) in accordance with the instructions attached as Appendix 5 to the Special Warrant Certificate duly completed and executed by the holder for the number of Units which the holder desires to acquire, and subject to compliance with such requirements as the Special Warrant Agent may reasonably impose to permit the tracking of such exercises from time to time. Surrender of a Special Warrant Certificate with the exercise form(s) duly completed will be deemed to have been effected, and Special Warrants shall be deemed to have been exercised, only on personal delivery thereof to, or if sent by mail or other means of transmission on actual receipt thereof by, the Special Warrant Agent at the offices specified in this subsection 5.2(b).

(c) Voluntary exercise, at a time when the Company has not received the Receipt for the Prospectus, is subject to compliance with and may be restricted by the securities laws of the Designated Jurisdictions and the United States and applicable states thereof and is further subject to the Special Warrantholders providing such assurances and executing such documents as may, in the reasonable opinion of the Company or the Special Warrant Agent (relying on an opinion of counsel), be required to ensure compliance with applicable securities legislation. If, at the time of the voluntary exercise of the Special Warrants pursuant to this Section 5.2, there remain restrictions on resale under applicable securities legislation on the Unit Shares and Unit Warrants so acquired, the Company may, if required, include an appropriate legend on the certificates representing the Unit Shares and Unit Warrants with respect to those restrictions.

(d) Every exercise form delivered prior to the Automatic Exercise Time shall be signed by the holder of a Special Warrant Certificate who desires to exercise in whole or in part the right of acquisition therein provided for; shall specify the number of Units that such holder wishes to acquire (being not more than the number of Units the holder is entitled to acquire under the applicable Special Warrant Certificate), the person or persons in whose name or names the Unit Shares and Unit Warrants which such holder desires to acquire are to be issued and his, her or its address or addresses and the number of Units to be issued to each such person, and if more than one is so specified, the form shall have one of the boxes in the exercise form checked; and shall be substantially in the form set out in the Special Warrant Certificate.

(e) Subject to and upon compliance with the terms of this Section 5.2, a beneficial holder of Uncertificated Special Warrants evidenced by a security entitlement in respect of Special Warrants in the book entry registration system may exercise the right of acquisition of Units by causing a Book Entry Only Participant to deliver to the Depository on behalf of the entitlement holder, notice of the owner's intention to exercise the Special Warrants in a manner acceptable to the Depository. Forthwith upon receipt by the Depository of such notice, the Depository shall deliver to the Special Warrant Agent a Book Entry Exercise Confirmation in a manner acceptable to the Special Warrant Agent, including by electronic means through the book entry registration system. An electronic exercise of the Special Warrants initiated by the Book Entry Only Participant through a book based registration system, shall constitute a representation to both the Company and the Special Warrant Agent that the beneficial owner, at the time of exercise of such Special Warrants: (i)(A) is not in the United States; (B) is not a U.S. Person and is not exercising the Special Warrants on behalf of or for the account or benefit of a U.S. Person or person in the United States; and (C) did not execute or deliver the exercise form in the United States; or (ii) is an Original QIB Purchaser, and the representations, warranties and covenants made by it in the U.S. QIB Certificate remain true and correct at the time of exercise. If the Book Entry Only Participant is not able to make or deliver the foregoing representation by initiating the electronic exercise of the Special Warrants, then such Special Warrants shall be withdrawn from the book based registration system by the Book Entry Only Participant and an individually registered Special Warrant Certificate shall be issued by the Special Warrant Agent to such beneficial owner or Book Entry Only Participant and the exercise procedures set forth in Section 5.2(b) shall be followed.

(f) A notice in form acceptable to the Book Entry Only Participant from such beneficial holder should be provided to the Book Entry Only Participant sufficiently in advance so as to permit the Book Entry Only Participant to deliver notice to the Depository and for the Depository in turn to deliver notice to the Special Warrant Agent prior to the Automatic Exercise Time. The Depository will initiate the exercise by way of the Book Entry Exercise Confirmation and the Special Warrant Agent will execute the exercise by issuing to the Depository through the book entry registration system the Unit Shares and Unit Warrants to which the exercising Special Warrantholder is entitled pursuant to such exercise. Any expense associated with the exercise process will be for the account of the Company.

(g) By causing a Book Entry Only Participant to deliver notice to the Depository, a Special Warrantholder shall be deemed to have irrevocably surrendered his Special Warrants so exercised and appointed such Book Entry Only Participant to act as his, her or its exclusive settlement agent with respect to the exercise and the receipt of Units in connection with the obligations arising from such exercise.

(h) Any notice which the Depository determines to be incomplete, not in proper form, or not duly-executed shall for all purposes be void and of no effect and the exercise to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a Book Entry Only Participant to exercise or to give effect to the settlement thereof in accordance with the Special Warrantholder's instructions will not give rise to any obligations or liability on the part of the Company or Special Warrant Agent to the Book Entry Only Participant or the Special Warrantholder.

(i) Any exercise form or other Transaction Instruction referred to in this Section5.2 shall be signed by the Special Warrantholder, or his executors or administrators or other legal representatives or an attorney of the Special Warrantholder, duly appointed by an instrument in writing satisfactory to the Special Warrant Agent.

(j) Any exercise referred to in this Section 5.2 shall require that the original exercise form or other Transaction Instruction executed by the Special Warrantholder or the Depository must be received by the Special Warrant Agent prior to the Automatic Exercise Time.

(k) If the form of exercise notice set forth in the Special Warrant Certificate shall have been amended, the Company shall cause the amended exercise notice to be forwarded to all Special Warrantholders.

(l) Exercise notices, Transaction Instructions and Book Entry Exercise Confirmations must be delivered to the Special Warrant Agent at any time during the Special Warrant Agent's actual business hours on any Business Day prior to the Automatic Exercise Time. Any exercise notice, Transaction Instruction or Book Entry Exercise Confirmation received by the Special Warrant Agent after business hours on any Business Day other than the Qualification Date will be deemed to have been received by the Special Warrant Agent on the next following Business Day.

(m) Any Special Warrant with respect to which a Transaction Instruction or Book Entry Exercise Confirmation is not received by the Special Warrant Agent before the Automatic Exercise Time shall be deemed to have expired and become void and all rights with respect to such Special Warrants shall terminate and be cancelled except for the right to receive a Unit in accordance with Section 5.3 of this Indenture.

(n) Within three Business Days after the date of exercise of a Special Warrant, the Special Warrant Agent shall cause to be delivered or mailed to the person or persons in whose name or names the Special Warrant is registered or to such address as the Company or Special Warrantholder may specify in writing to the Special Warrant Agent prior to the exercise of a Special Warrant or, if so specified in writing by the registered holder, cause to be delivered to such person or persons a certificate or certificates for the appropriate number of Unit Shares and Unit Warrants subscribed for, or any other appropriate evidence of the issuance of such Unit Shares and Unit Warrants to such person or persons in respect of Common Shares and Unit Warrants issued under the book entry registration system.

(o) If any Units subscribed for are to be issued to a person or persons other than the Special Warrantholder, the Special Warrantholder must pay to the Company or to the Special Warrant Agent on his behalf an amount equal to all applicable transfer taxes or other government charges, and the Company will not be required to issue or deliver any certificates evidencing, or provide other evidence of the issuance of any Unit Shares or Unit Warrants unless or until that amount has been so paid or the Special Warrantholder has established to the satisfaction of the Company that the taxes and charges have been paid or that no taxes or charges are owing.

(p) The exercise form attached to the Special Warrant Certificate shall not be deemed to be duly completed if the name and mailing address of the Special Warrantholder do not appear legibly on such exercise form and such exercise form is not signed by the Special Warrantholder, his, her or its executor, administrator or other legal representative of such holder's attorney duly appointed.

5.3 Automatic Exercise of Special Warrants

All Special Warrants not exercised by the Special Warrantholder pursuant to Section 5.2 prior to the Automatic Exercise Time will be automatically exercised immediately at the Automatic Exercise Time and deemed surrendered by the Special Warrantholders without any further action on the part of the Special Warrantholder. In that event, the Special Warrant Agent shall, within three Business Days thereafter, deliver in uncertificated form the Unit Shares and Unit Warrants comprising the Units (including any additional Units issued as a result of the Penalty Provision) issued upon Automatic Exercise of the Special Warrants, registered in the name of the Special Warrantholders, to the addresses of the Special Warrantholders as specified in the register for the Special Warrants or to such address as the Special Warrantholder may specify in writing to the Special Warrant Agent; provided, however, that all Unit Shares and Unit Warrants comprising the Units issued to U.S. holders of Special Warrants other than Original QIB Purchasers will have to be represented by definitive certificates.

5.4 Effect of Exercise of Special Warrants

Upon the exercise or automatic exercise of the Special Warrants, each Special Warrantholder is, at that time, deemed to have become the holder or holders of record of the Unit Shares and Unit Warrants comprising the Units, in respect of which such Special Warrantholder's Special Warrants are exercised or are automatically exercised, unless the transfer registers of the Company shall be closed by law on such date, in which case the Units acquired shall be deemed to have been issued and such person or persons deemed to have become the holder or holders of record of such Unit Shares and Unit Warrants comprising the Units on the date on which such transfer registers are next reopened.

Notwithstanding any provision herein to the contrary, the Company shall not be required to deliver certificates for Unit Shares and Unit Warrants comprising the Units in any period while the Common Share or Unit Warrant transfer registers of the Company are closed and, in the event of the exercise of any Special Warrant during any such period, the Unit Shares and Unit Warrants subscribed for shall be issued and such person shall be deemed to have become the holder of record of such Unit Shares and Unit Warrants on the date on which such Common Share and Unit Warrant transfer registers, respectively, are reopened.

5.5 Partial Exercise

Any Special Warrantholder may acquire a number of Units less than the number of Units which the holder is entitled to acquire pursuant to the surrendered Special Warrant Certificate(s). In the event of any exercise of a number of Special Warrants less than the number which the holder is entitled to exercise pursuant to the surrendered Special Warrant Certificates, the Special Warrantholder upon such exercise shall, in addition to the number of Units acquired pursuant to the Special Warrants exercised, be entitled to receive, without charge therefor, a new Special Warrant Certificate(s) in respect of the balance of the Special Warrants represented by the surrendered Special Warrant Certificate(s) and which were not then exercised.

5.6 Special Warrants Void After Exercise

After the exercise or automatic exercise of a Special Warrant as provided in this Section, the holder of a Special Warrant no longer has any rights either under this Indenture or the Special Warrant Certificate, other than the right to receive certificates or other evidence of ownership as provided herein representing the Unit Shares and Unit Warrants comprising the Units, and the Special Warrant is void and of no value or effect.

5.7 Fractions of Unit Shares or Unit Warrants

(a) Where a Special Warrantholder is entitled to receive, as a result of the adjustments provided for in Section 4.1 or otherwise, on the exercise or partial exercise of its Special Warrants a fraction of a Unit Share or Unit Warrant, such right may only be exercised in respect of such fraction in combination with another Special Warrant or other Special Warrants which in the aggregate entitle the Special Warrantholder to receive a whole number of Unit Shares and Unit Warrants; and

(b) If a Special Warrantholder is not able to, or elects not to, combine Special Warrants so as to be entitled to acquire a whole number of Unit Shares and Unit Warrants, the Special Warrantholder may not exercise the right to acquire a fractional Unit Share or Unit Warrant, and, as a result, has the right to acquire only that number of Unit Shares and Unit Warrants equal to the next lowest whole number of Unit Shares and Unit Warrants and no cash will be paid in lieu of any fractional Unit Share or Unit Warrant.

5.8 Accounting and Recording

The Special Warrant Agent shall promptly notify the Company with respect to Special Warrants exercised. The Special Warrant Agent shall record the particulars of the Special Warrants exercised which include the name or names and addresses of the persons who become holders of Units on exercise pursuant to this Article 5 and the number of Units issued. Within three Business Days of the exercise of each Special Warrant pursuant to Section 5.2, the Special Warrant Agent shall provide those particulars in writing to the Company.

5.9 Legending of Special Warrant Certificates and Underlying Securities

(a) The Special Warrants, Unit Shares, Unit Warrants and Common Shares issued on exercise of the Unit Warrants have not been, and will not be, registered under the U.S. Securities Act or applicable securities laws of any state of the United States. Each Special Warrant Certificate and each certificate representing the Unit Shares and Unit Warrants comprising the Units originally issued to a U.S. Purchaser, other than an Original QIB Purchaser, and each Special Warrant Certificate and each certificate representing the Unit Shares and Unit Warrants comprising the Units issued in exchange therefor or in substitution thereof, shall bear the following additional legend (the "**U.S. Legend**") until such time as the U.S. Legend is no longer required under applicable requirements of the U.S. Securities Act or applicable state securities laws:

"THE SECURITIES REPRESENTED HEREBY [FOR SPECIAL WARRANTS AND UNIT WARRANTS ADD: AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF] HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE HOLDING SUCH SECURITIES, AGREES FOR THE BENEFIT OF ALGERNON PHARMACEUTICALS INC. (THE "COMPANY") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, OR (C) PURSUANT TO THE EXEMPTIONS FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 THEREUNDER, IF AVAILABLE OR (II) RULE 144A THEREUNDER, IF AVAILABLE, AND, IN BOTH CASES, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES AND, IN THE CASE OF CLAUSE (C)(I) OR (D) ABOVE, OR IF OTHERWISE REQUIRED BY THE COMPANY, THE SELLER HAS FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY TO SUCH EFFECT. [FOR UNIT SHARES AND COMMON SHARES ISSUED ON EXERCISE OF THE UNIT WARRANTS ADD: DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.]"

provided, that if any of the Special Warrants or the Unit Shares and Unit Warrants comprising the Units were issued at a time when the Company qualified as a "foreign issuer" (as defined in Rule 902(e) of Regulation S) and are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S, and in compliance with Canadian local laws and regulations, the legend may be removed by providing a declaration to the Company and either the Special Warrant Agent (in the case of the Special Warrants), the Company's transfer agent (in the case of the Unit Shares) or the Unit Warrant Agent (in the case of the Unit Warrants) in the form attached hereto as Appendix 4 to the Special Warrant Certificate (or as the Company may prescribe from time to time) in addition to such other evidence of exemption as the Company and the Special Warrant Agent or the Company's transfer agent (as the case may be) may require from time to time, which may include an opinion of counsel in form and substance satisfactory to the Company;

provided further, that, if any of the Special Warrants or the Unit Shares and Unit Warrants comprising the Units are being sold pursuant to Rule 144 under the U.S. Securities Act, if available, the legend may be removed by delivery to the Company and the Special Warrant Agent (in the case of the Special Warrants), the Company's transfer agent (in the case of the Unit Shares) or the Unit Warrant Agent (in the case of the Unit Warrants) of an opinion of counsel of recognized standing in form and substance satisfactory to the Company, to the effect that the legend is no longer required under applicable requirements of the U.S. Securities Act and state securities laws.

The Special Warrant Agent shall be entitled to request any other documents that it may require in accordance with its internal policies of the removal of the legend set forth above.

(b) All Special Warrant Certificates and all certificates issued in exchange therefor or in substitution thereof will have the following additional legends endorsed thereon:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY SHALL NOT TRADE THE SECURITY BEFORE [FOUR MONTHS AND ONE DAY AFTER THE ORIGINAL DATE OF ISSUANCE OF SPECIAL WARRANT(S)]."

(c) Notwithstanding any other provisions of this Indenture, in processing and registering transfers of Special Warrants, no duty or responsibility whatsoever shall rest upon the Special Warrant Agent to determine the compliance by any transferor or transferee with the terms of the legends contained in this subsection 5.9, or with the relevant securities laws or regulations, including, without limitation, Regulation S, and the Special Warrant Agent shall be entitled to assume that all transfers are legal and proper.

5.10 Issuance of Unit Shares and Unit Warrants

All certificates issued for the Unit Shares, Unit Warrants and any Common Shares issuable upon exercise of the Unit Warrants prior to the Qualification Date will have the following legends endorsed thereon:

> **"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY SHALL NOT TRADE THE SECURITY BEFORE [FOUR MONTHS AND ONE DAY AFTER THE ORIGINAL DATE OF ISSUANCE OF SPECIAL WARRANT(S)]."**

In addition, all Unit Shares and Unit Warrants issued to U.S. Persons or persons in the United States other than Original QIB Purchasers will be endorsed with the legend required by Section 5.9(a).

5.11 Securities Restrictions

Notwithstanding anything herein contained, in the event that the Special Warrants are exercised pursuant to and in accordance with the provisions of Section 5.2 prior to the issuance of a Receipt for the Prospectus by the Commissions, the certificates representing the Unit Shares and Unit Warrants comprising the Units thereby issued will bear such legends as may, in the opinion of counsel to the Company, acting reasonably, be necessary in order to avoid a violation of any applicable securities laws or to comply with the requirements of any stock exchange on which the Common Shares are listed, provided that, if at any time, in the opinion of counsel to the Company, such legends are no longer necessary in order to avoid violation of such laws, or the holder of any such legended certificates representing the Unit Shares and Unit Warrants comprising the Units, at the holder's expense, provides the Company and the registrar and transfer agent of the Common Shares with evidence satisfactory in form and substance to the Company and the registrar and transfer agent of the Common Shares (which may include an opinion of counsel satisfactory to the Company and the registrar and transfer agent of the Common Shares) to the effect that such holder is entitled to sell or otherwise transfer such Unit Shares or Unit Warrants in a transaction in which such legends are not required, such legended certificates representing Unit Shares or Unit Warrants may thereafter be surrendered to the Special Warrant Agent in exchange for a certificate which does not bear such legend.

5.12 Contractual Right of Rescission

The Company covenants with the Special Warrant Agent to provide a right of rescission to each Special Warrantholder as hereinafter set forth, which right shall be exercisable by a Special Warrantholder directly. The Company has agreed that in the event that a holder of Special Warrants who acquires Unit Shares and Unit Warrants pursuant to the exercise of Special Warrants is or becomes entitled under applicable Securities Laws to the remedy of rescission by reason of the Prospectus and any amendments thereto containing a misrepresentation, such holder shall, subject to available defences and any limitation period under applicable securities laws, be entitled to rescission not only of the holder's exercise or deemed exercise of its Special Warrants but also of the private placement transaction pursuant to which the Special Warrants were initially acquired, and shall be entitled in connection with such rescission to a full refund from the Company of the aggregate purchase price paid to the Company on the acquisition of the Special Warrants. In the event such holder is a permitted assignee of the interest of the original holder of Special Warrants, such permitted assignee shall be permitted to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original holder. The holder (or its permitted assignee) shall seek a refund directly from the Company and the Special Warrant Agent shall not be under any duty or obligation to take any steps to ensure or enforce the return of the funds pursuant to this section, nor shall the Special Warrant Agent be in any other way responsible in the event that any payment is not delivered or received pursuant to this section, and the Special Warrant Agent shall incur no liability with respect to the delivery or non-delivery of any such funds. The provisions of this Section are a direct contractual right extended by the Company to holders of Special Warrants and permitted assignees of such holders and are in addition to any other right or remedy available to a holder of a purchased security under section 131(1) of the *Securities Act* (British Columbia) or equivalent provisions of applicable securities laws, or otherwise at law. The foregoing contractual rights of action for rescission shall be subject to the defences described under section 131 of the *Securities Act* (British Columbia) which is incorporated herein by reference and any other defence or defences available to the Company under Applicable Legislation.

6. MEETINGS OF SPECIAL WARRANTHOLDERS

6.1 Definitions

In this Article 6 or otherwise in this Indenture:

(a) "**Adjourned Meeting**" means a meeting adjourned in accordance with Section6.8;

(b) "**Extraordinary Resolution**" means a resolution proposed to be passed as an extraordinary resolution at a Meeting duly convened for that purpose and held in accordance with the provisions of this Article 6, and carried by not less than 2/3 of the votes cast on such resolution; and

(c) "**Meeting**" means a meeting of the Special Warrantholders.

6.2 Convening Meetings

The Special Warrant Agent or the Company may convene a Meeting at any time at the expense of the Company. Upon receipt of a written requisition signed in one or more counterparts by Special Warrantholders having the right to acquire not less than 25% of the Units which may at such time be acquired hereunder, the Special Warrant Agent or the Company shall convene a Meeting, provided that in the case of the Special Warrant Agent, it has been indemnified and funded to its reasonable satisfaction by the Company or the Special Warrantholders for the costs of convening and holding a Meeting. If the Special Warrant Agent or the Company fails to convene the Meeting within 15 Business Days after being duly requisitioned to do so and indemnified and funded as aforesaid, the Special Warrantholders having the right to acquire not less than 25% of the Units which may be acquired hereunder may themselves convene a Meeting, the notice for which must be signed by one or more of those Special Warrantholders at such time, provided that the Special Warrant Agent and Company receive notice of the Meeting in accordance with Section 6.4. A written requisition must state, generally, the reason for the Meeting and business to be transacted at the Meeting.

6.3 Place of Meeting

Every Meeting must be held in Vancouver, British Columbia or at such other place in Canada that the Special Warrant Agent and Company approve. A Meeting may also be held by electronic communication facility that allows Special Warrantholders to participate and vote at the Meeting.

6.4 Notice

The Special Warrant Agent or the Company, as the case may be, shall give written notice of each Meeting to each Special Warrantholder, the Special Warrant Agent (unless the Meeting has been called by the Special Warrant Agent), the Agent and the Company (unless the Meeting has been called by the Company) in the manner specified in Article 9 at least 21 days before the date of the Meeting. The Special Warrant Agent shall give written notice of each Adjourned Meeting to each Special Warrantholder in the manner specified in Article 9 at least 7 days before the date of the Adjourned Meeting. The notice for a Meeting must state the time and place of the Meeting and, generally, the reason for the Meeting and the business to be transacted at the Meeting, together with such additional information as may be required to sufficiently inform the Special Warrantholders regarding the business to be transacted at the Meeting. The notice for an Adjourned Meeting must state the time and place of the Adjourned Meeting but need not specify the business to be transacted at an Adjourned Meeting. The accidental omission by the Special Warrant Agent or the Company, as the case may be, to give notice of a Meeting or an Adjourned Meeting to a Special Warrantholder does not invalidate a resolution passed at a Meeting or Adjourned Meeting.

6.5 Persons Entitled to Attend

The Company and the Agent may, and the Special Warrant Agent shall, each by its authorized representatives, attend every Meeting and Adjourned Meeting but neither the Company, the Agent nor the Special Warrant Agent has the right to vote. The legal advisors of the Company, the Agent, the Special Warrant Agent, and any Special Warrantholders, respectively, may also attend a Meeting or Adjourned Meeting but do not have the right to vote, unless they have the right to vote as a Special Warrantholder.

6.6 Quorum

Subject to the provisions of Section 6.18, a quorum for a Meeting shall consist of two or more persons present in person and owning or representing by proxy the right to acquire, not less than 10% of the Units which may at that time be acquired hereunder.

6.7 Chairman

The Special Warrant Agent shall nominate a natural person as the chairman of a Meeting or Adjourned Meeting. If the person so nominated is not present within 15 minutes after the time set for holding the Meeting or Adjourned Meeting, the Special Warrantholders and proxies for Special Warrantholders present shall choose one of their number to be chairman. The chairman may vote any Special Warrants for which he or she is the registered holder.

6.8 Power to Adjourn

The chairman of any Meeting at which a quorum of the Special Warrantholders is present may, with the consent of the Meeting, adjourn any such meeting. Notice of such adjournment will be given in accordance with Section 6.4 with such other requirements, if any, as the Meeting may prescribe.

6.9 Adjourned Meeting

If a quorum of the Special Warrantholders is not present within 30 minutes after the time fixed for holding a Meeting, the Meeting stands adjourned to a date not less than 10 calendar days and not more than 30 calendar days later, at a place determined in accordance with Section 6.3, and at a time specified by the chairman. The Special Warrant Agent shall promptly and in accordance with Section 6.4 send a notice of the Adjourned Meeting to each Special Warrantholder and the Company. At an Adjourned Meeting, two or more Special Warrantholders or persons representing Special Warrantholders by proxy constitutes a quorum for the transaction of business for which the Meeting was convened.

6.10 Show of Hands

Subject to a poll and except as otherwise required herein, every question submitted to a Meeting or Adjourned Meeting, except an Extraordinary Resolution, shall be decided, in the first instance, by the majority of votes in a show of hands. If the vote is tied, the chairman does not have a casting vote and the motion will not be carried. On a show of hands, each Special Warrantholder present in person or represented by proxy and entitled to vote is entitled to one vote for every Special Warrant then outstanding of which such Special Warrantholder is the registered owner.

6.11 Poll

When requested by a Special Warrantholder acting in person or by the proxy representing the Special Warrantholder, and on every Extraordinary Resolution, the chairman of a Meeting or Adjourned Meeting shall request a poll on a question submitted to the Meeting. Except as otherwise required herein, if a question has been put to a poll, that question shall be decided by the affirmative vote of not less than a majority of the votes given on the poll. If the vote is tied, the motion shall not be carried. On a poll, each Special Warrantholder or person representing a Special Warrantholder shall be entitled to one vote for every Unit which he or she is entitled to acquire upon exercise of the Special Warrants of which he is the registered holder. A declaration made by the chairman that a resolution has been carried or lost is conclusive evidence thereof. In the case of joint registered Special Warrantholders, any one of them present in person or represented by proxy may vote in the absence of the other or others but when more than one of them is present in person or by proxy, they may only vote together in respect of the Special Warrants of which they are joint registered holders.

6.12 Regulations

Subject to the provisions of this Indenture, the Special Warrant Agent, or the Company with the approval of the Special Warrant Agent, may from time to time make and, thereafter, vary regulations not contrary to the provisions of this Indenture as it deems fit providing for and governing the following:

(a) setting a record date for a Meeting for determining Special Warrantholders entitled to receive notice of and vote at a Meeting;

(b) voting by proxy, the manner in which a proxy instrument must be executed, and the production of the authority of any person signing an instrument of a proxy on behalf of a Special Warrantholder;

(c) lodging and the means of forwarding the instruments appointing proxies, and the time before a Meeting or Adjourned Meeting by which an instrument appointing a proxy must be deposited;

(d) the form of the instrument of proxy; and

(e) any other matter relating to the conduct of a meeting of Special Warrantholders, including the conduct of a Meeting held by electronic communication facility.

A regulation so made is binding and effective and votes given in accordance with such a regulation are valid. The Special Warrant Agent may permit Special Warrantholders to make proof of ownership in the manner the Special Warrant Agent approves.

6.13 Powers of Special Warrantholders

By Extraordinary Resolution passed pursuant to this Article 6, the Special Warrantholders may:

(a) agree to any modification, abrogation, alteration, compromise, or arrangement of the rights of the Special Warrantholders whether arising under this Indenture, or otherwise at law, including the rights of the Special Warrant Agent in its capacity as special warrant agent hereunder or on behalf of the Special Warrantholders against the Company, which has been agreed to by the Company;

(b) direct and authorize the Special Warrant Agent to exercise any discretion, power, right, remedy or authority given to it by or under this Indenture in the manner specified in such resolution or to refrain from exercising any such discretion, power, right, remedy, or authority;

(c) direct the Special Warrant Agent to enforce any covenant or obligation on the part of the Company contained in this Indenture or to waive any default by the Company in compliance with any provision of this Indenture either unconditionally or upon any conditions specified in such resolution;

(d) assent to any change in or omission from the provisions contained in this Indenture or the Special Warrant Certificates or any ancillary or supplemental instrument which is agreed to by the Company, and to authorize the Special Warrant Agent to concur in and execute any ancillary or supplemental indenture embodying the change or omission;

(e) without limiting the generality of Sections 6.13(a) and (d), assent to an extension of time thereunder;

(f) with the consent of the Company, remove the Special Warrant Agent or its successor in office and to appoint a new special warrant agent, registrar and trustee to take the place of the Special Warrant Agent so removed;

(g) upon the Special Warrant Agent being furnished with funding and an indemnity that is, in its discretion, sufficient, require the Special Warrant Agent to enforce any covenant of the Company contained in this Indenture or the Special Warrant Certificates, or to enforce any right of the Special Warrantholders in any manner specified in such Extraordinary Resolution, or to refrain from enforcing any such covenant or right;

(h) restrain any Special Warrantholder from instituting or continuing any suit or proceeding against the Company for the enforcement of a covenant on the part of the Company contained in this Indenture or any of the rights conferred upon the Special Warrantholders as set out in this Indenture or the Special Warrant Certificates;

(i) direct a Special Warrantholder who, as such, has brought a suit, action or proceeding to stay or discontinue or otherwise deal with the same upon payment of the costs, charges, and expenses reasonably and properly incurred by such Special Warrantholder in connection therewith;

(j) waive and direct the Special Warrant Agent to waive a default by the Company in complying with any of the provisions of this Indenture or the Special Warrant Certificate either unconditionally or upon any conditions specified in such Extraordinary Resolution;

(k) assent to a compromise or arrangement with a creditor or creditors or a class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Company; or

(l) amend, alter, or repeal any Extraordinary Resolution previously passed pursuant to this Section 6.13.

6.14 Powers Cumulative

Any one or more of the powers or any combination of the powers in this Indenture stated to be exercised by the Special Warrantholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the right of the Special Warrantholder to exercise such power or combination of powers then or thereafter from time to time.

6.15 Minutes of Meetings

The Special Warrant Agent shall make and maintain minutes and records of all resolutions and proceedings at a Meeting or Adjourned Meeting at the expense of the Company and shall make available those minutes and records at the office of the Special Warrant Agent for inspection by a Special Warrantholder or his authorized representative and the Agent at reasonable times. If signed by the chairman of the Meeting or by the chairman of the next succeeding Meeting, such minutes shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such Meeting in respect of which minutes shall have been made shall be deemed to have been duly convened and held, and all the resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

6.16 Written Resolutions

Notwithstanding any other provision of this Article 6, a written resolution or instrument signed in one or more counterparts by the Special Warrantholders holding the right to acquire not less than a majority of the Units which may at that time be acquired hereunder in the case of a resolution, or not less than 2/3 of the Units which may at that time be acquired hereunder in the case of an Extraordinary Resolution, is deemed to be the same as, and to have the same force and effect as, a resolution or Extraordinary Resolution, as the case may be, duly passed at a Meeting or Adjourned Meeting.

6.17 Binding Effect

A resolution of the Special Warrantholders passed pursuant to this Article 6 is binding upon all Special Warrantholders. Upon the passing of a Special Warrantholder's resolution at a meeting of the Special Warrantholders, or upon the signing of a written resolution or instrument pursuant to Section 6.16 and delivery by the Company to the Special Warrant Agent of an original, certified or notarial copy, or copies, of such resolution as executed or passed by the Special Warrantholders, the Special Warrant Agent is entitled to and shall give effect thereto.

6.18 Holdings by the Company or Subsidiaries of the Company Disregarded

In determining whether Special Warrantholders holding Special Warrants evidencing the required number of Units which may be acquired pursuant to the exercise of the Special Warrants are present at a meeting of Special Warrantholders for the purpose of determining a quorum or have concurred in any consent, waiver, resolution, Extraordinary Resolution or other action under this Indenture, Special Warrants owned legally or beneficially by the Company or any Subsidiary of the Company shall be disregarded.

7. SUPPLEMENTAL INDENTURES, MERGER, SUCCESSORS

7.1 Provision for Supplemental Indentures for Certain Purposes

From time to time the Company (when authorized by the directors of the Company) and the Special Warrant Agent may, subject to the provisions of this Indenture, and they will when so directed in accordance with the provisions hereof, execute and deliver by their proper officers, deeds, indentures or instruments supplemental hereto, which thereafter form part hereof for any one or more or all of the following purposes:

(a) adding to the provisions hereof such additional covenants, enforcement provisions, and release provisions (if any) as in the opinion of counsel acceptable to the Company and the Special Warrant Agent are necessary or advisable, provided the same are not, in the opinion of counsel to the Special Warrant Agent prejudicial to the interests of the Special Warrantholders;

(b) adding to the covenants of the Company in this Indenture for the protection of the Special Warrantholders;

(c) evidencing any succession (or successive successions), of other companies to the Company and the covenants of, and obligations assumed by, such successor (or successors) in accordance with the provisions of this Indenture;

(d) setting forth any adjustments resulting from the application of the provisions of Article4;

(e) making such provisions not inconsistent with this Indenture as may be deemed necessary or desirable with respect to matters or questions arising hereunder, provided that such provisions are not, in the opinion of counsel to the Special Warrant Agent, prejudicial to the interests of the Special Warrantholders;

(f) giving effect to any Extraordinary Resolution;

(g) rectifying any ambiguity, defective provision, clerical omission or mistake or manifest or other error contained herein or in any deed or indenture supplemental or ancillary hereto provided that, in the opinion of the counsel to the Special Warrant Agent, the interests of the Special Warrantholders are not prejudiced thereby;

(h) adding to or altering the provisions hereof in respect of the transfer of Special Warrants, making provision for the exchange of Special Warrant Certificates of different denominations, and making any modification in the form of the Special Warrant Certificate which does not affect the substance thereof; or

(i) for any other purpose not inconsistent with the provisions of this Indenture, provided that, in the opinion of counsel to the Special Warrant Agent, the rights of the Special Warrantholders are in no way prejudiced thereby.

7.2 Company May Consolidate, etc. on Certain Terms

Nothing in this Indenture prevents any consolidation, amalgamation, arrangement or merger of the Company with or into any other body corporate or bodies corporate, or a conveyance or transfer of all or substantially all the properties and assets of the Company as an entirety to any body corporate lawfully entitled to acquire and operate the same, provided, however, that the body corporate formed by such consolidation, amalgamation, arrangement or into which such merger has been made, or which has acquired by conveyance or transfer all or substantially all the properties and assets of the Company as an entirety in circumstances resulting in the Special Warrantholders being entitled to receive property from or securities of such body corporate, shall execute prior to or contemporaneously with such consolidation, amalgamation, arrangement, merger, conveyance or transfer, an indenture supplemental hereto wherein the due and punctual performance and observance of all the covenants and conditions of this Indenture to be performed or observed by the Company are assumed by the successor body corporate. The Special Warrant Agent is entitled to receive and is fully protected in relying upon an opinion of counsel that any such consolidation, amalgamation, arrangement, merger, conveyance or transfer, and a supplemental indenture executed in connection therewith, complies with the provisions of this Section.

7.3 Successor Body Corporate Substituted

Where the Company, pursuant to Section 7.2 hereof, is consolidated, amalgamated, arranged or merged with or into any other body corporate or bodies corporate or conveys or transfers all of substantially all of the properties and assets of the Company as an entirety to another body corporate, the successor body corporate formed by such consolidation, amalgamation, arrangement or into which the Company has been merged or which has received a conveyance or transfer as aforesaid succeeds to and is substituted for the Company hereunder with the same effect as nearly as may be possible as if it had been named herein. Such changes may be made in the Special Warrants as may be appropriate in view of such consolidation, amalgamation, arrangement, merger, conveyance or transfer.

8. CONCERNING THE SPECIAL WARRANT AGENT

8.1 Duties of Special Warrant Agent

By way of supplement to the provisions of any statute for the time being relating to agents, and notwithstanding any other provision of this Indenture, in the exercise of the rights, duties and obligations prescribed or conferred by the terms of this Indenture, the Special Warrant Agent shall act honestly and in good faith with a view to the best interests of the Special Warrantholders and shall exercise that degree of care, diligence and skill that a reasonably prudent special warrant agent would exercise in comparable circumstances. No provision of this Indenture shall be construed to relieve the Special Warrant Agent from, or require any other person to indemnify the Special Warrant Agent against any liability for its own gross negligence, wilful misconduct or fraud under this Indenture.

8.2 Action by Special Warrant Agent

The Special Warrant Agent is not obligated or bound to give any notice or to do or take any act action, proceeding or thing by virtue of the powers conferred on it hereby unless and until it shall have been required to do so by this Indenture and, in the case of a default, only when it has received actual written notice thereof, which notice shall distinctly specify the default desired to be brought to the attention of the Special Warrant Agent and in the absence of any such notice the Special Warrant Agent may for all purposes of this Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Special Warrant Agent to determine whether or not the Special Warrant Agent shall take action with respect to any default. Proof of execution of any document or instrument in writing by a holder may be made by the certificate of a notary public, or other officer with similar powers, that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution, or in any other manner the Special Warrant Agent considers adequate. The Special Warrant Agent shall not be bound to give notice to any person of execution hereof.

8.3 Certificate of the Company

In the administration of its duties under this Indenture, prior to taking or suffering any action hereunder, the Special Warrant Agent may accept, act, and rely on, and shall be protected in accepting, acting, and relying upon, a certificate of the Company, resolutions, opinions, orders or other documents as conclusive evidence of the truth of any fact relating to the Company or its assets therein stated and proof of the regularity of any proceedings or actions associated therewith, but the Special Warrant Agent may in its discretion require further evidence or information before acting or relying on any such certificate. In addition to the reports, certificates, opinions, and other evidence required by this Indenture, the Corporation shall furnish to the Special Warrant Agent such additional evidence of compliance with any provision hereof, and in such form as may be prescribed by Applicable Legislation or as the Special Warrant Agent may reasonably require by written notice to the Corporation. Whenever Applicable Legislation requires that evidence referred to in this Section be in the form of a statutory declaration, the Special Warrant Agent may accept such statutory declaration in lieu of a certificate of the Corporation required by any provision hereof. Any such statutory declaration may be made by any one or more of the [Chair of the Board and Chief Executive Officer, President or Chief Financial Officer] of the Corporation or by any other officer or director of the Corporation to whom such authority is delegated by the directors from time to time.

Whenever it is provided in this Indenture or under Applicable Legislation that the Corporation shall deposit with the Special Warrant Agent resolutions, certificates, reports, opinions, requests, orders or other documents, it is intended that the truth, accuracy and good faith on the effective date thereof and the facts and opinions stated in all such documents so deposited shall, in each and every such case, be conditions precedent to the right of the Corporation to have the Special Warrant Agent take the action to be based thereon.

8.4 Special Warrant Agent May Employ Experts

The Special Warrant Agent may, at the Company's expense, employ or retain such counsel, lawyers, accountants, engineers, appraisers or other experts, advisers or Agent as it may reasonably require for the purpose of determining and discharging its duties hereunder and may pay reasonable remuneration for such services rendered to it, without taxation of costs of any counsel or lawyers, but it is not responsible for any misconduct, mistake, negligence or error of judgment on the part of any of them. The Company shall pay or reimburse the Special Warrant Agent for any reasonable fees, expenses and disbursements of such counsel, lawyers, accountants, engineers, appraisers or other experts, advisers or Agent retained under this Section 8.4. The Special Warrant Agent may rely upon and act upon and shall be protected in acting and relying in good faith upon the opinion or advice of, or information obtained from, any such counsel, lawyer, accountant, engineer, appraiser or other expert, adviser or agent, whether retained or employed by the Company or by the Special Warrant Agent, in relation to any matter arising in the administration of the agency hereof. The Special Warrant Agent shall not incur any liability for the acts or omissions of such counsel, lawyers, accountants, engineers, appraisers or other experts, advisers or agent retained or employed by the Special Warrant Agent in good faith.

8.5 Resignation and Replacement of Special Warrant Agent

(a) The Special Warrant Agent may resign its trust and be discharged from all further obligations hereunder by giving to the Company and the Special Warrantholders written notice at least 60 days, or such shorter time period if acceptable to the Special Warrant Agent, the Company and the Special Warrantholders, before the effective date of the resignation. If the Special Warrant Agent resigns, or becomes incapable of acting hereunder, the Company shall forthwith appoint in writing a new person as special warrant agent. Failing such appointment by the Company or by the Special Warrantholders by Extraordinary Resolution, the retiring Special Warrant Agent (at the expense of the Corporation) or any Special Warrantholder may apply to a Judge of the Supreme Court of British Columbia on such notice as such Judge may direct, for the appointment of a new special warrant agent. The Special Warrantholders may, by Extraordinary Resolution, remove the Special Warrant Agent (including a special warrant agent appointed by the Company or by a Judge as aforesaid) and appoint a new special warrant agent. On any new appointment, the new special warrant agent is vested with the same powers, rights, duties and obligations as if it had been originally named as Special Warrant Agent without any further assurance, conveyance, act or deed. If for any reason it becomes necessary or expedient to execute any further deed or assurance, the former Special Warrant Agent shall execute the same in favour of the new special warrant agent.

(b) Upon payment by the Company to the retiring Special Warrant Agent of any and all outstanding fees or charges still properly owing to it, the retiring Special Warrant Agent shall undertake to transfer all requisite files, inventory and other records to the successor special warrant agent upon request of the Company. Any Special Warrant Certificates Authenticated but not delivered by a predecessor Special Warrant Agent may be Authenticated by the successor Special Warrant Agent in the name of the successor Special Warrant Agent.

(c) Any company into or with which the Special Warrant Agent may be merged or consolidated or amalgamated, or any company resulting from a merger, consolidation, arrangement or amalgamation to which the Special Warrant Agent for the time being is a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Special Warrant Agent shall be the successor Special Warrant Agent under this Indenture without any further act on its part or any of the parties hereto.

8.6 Indenture Legislation

The Company and the Special Warrant Agent agree that each shall at all times in relation to this Indenture and to any action to be taken hereunder, observe and comply with and be entitled to the benefits of all Applicable Legislation. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with any mandatory requirement of Applicable Legislation, such mandatory requirement prevails.

8.7 Notice

The Special Warrant Agent is not required to give notice to third parties, including the Special Warrantholders, of the execution of this Indenture.

8.8 Use of Proceeds

The Special Warrant Agent is in no way responsible for the use by the Company of the proceeds of the issue or any other funds that may be realized hereunder.

8.9 Documents, Monies, etc. Held by Special Warrant Agent

Until released in accordance with this Indenture, any funds received hereunder shall be kept in segregated records of the Special Warrant Agent and the Special Warrant Agent shall place the funds in accounts of the Special Warrant Agent at one or more of the Canadian Chartered Banks listed in Schedule 1 of the *Bank Act* (Canada) ("**Approved Bank**"). All amounts held by the Special Warrant Agent pursuant to this Agreement shall be held by the Special Warrant Agent for the Company and the delivery of the funds to the Special Warrant Agent shall not give rise to a debtor-creditor or other similar relationship. The amounts held by the Special Warrant Agent pursuant to this Agreement are at the sole risk of the Company and, without limiting the generality of the foregoing, the Special Warrant Agent shall have no responsibility or liability for any diminution of the funds which may result from any deposit made with an Approved Bank pursuant to this section, including any losses resulting from a default by the Approved Bank or other credit losses (whether or not resulting from such a default). The parties hereto acknowledge and agree that the Special Warrant Agent will have acted prudently in depositing the funds at any Approved Bank, and that the Special Warrant Agent is not required to make any further inquiries in respect of any such bank. The Special Warrant Agent may hold cash balances constituting part or all of such monies and need not, invest the same, and the Special Warrant Agent shall not be liable to account for any profit to any parties to this Indenture or to any other person or entity. Any written direction for the investment or release of funds shall be received by the Special Warrant Agent by 1:00 p.m. (Vancouver time) on the Business Day on which such release is to be made, failing which such direction will be handled on a commercially reasonable efforts basis and may result in funds being invested or released on the next Business Day.

8.10 No Inquiries

In the exercise of any right or duty hereunder the Special Warrant Agent, if it is acting in good faith, may act and rely, and shall be protected in so acting and relying, as to the truth of any statement or the accuracy of any opinion expressed therein, on any statutory declaration, opinion, report, written requests, consents, or orders of the Company, certificates of the Company or other evidence furnished to the Special Warrant Agent pursuant to a provision hereof or of Applicable Legislation or pursuant to a request of the Special Warrant Agent, if such evidence complies with Applicable Legislation and the Special Warrant Agent examines such evidence and determines that it complies with the applicable requirements of this Indenture. The Special Warrant Agent may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The Special Warrant Agent is not bound to make any inquiry or investigation as to the performance by the Company of the Company's covenants hereunder.

8.11 Actions by Special Warrant Agent to Protect Interest

The Special Warrant Agent shall have the power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect or enforce its interests and the interests of the Special Warrantholders.

8.12 Special Warrant Agent Not Required to Give Security

The Special Warrant Agent is not required to give any bonds or security with respect to the execution or administration of the duties and powers of this Indenture.

8.13 No Conflict of Interest

The Special Warrant Agent represents to the Company that, at the date of execution and delivery by it of this Indenture, there exists no material conflict of interest in the role of the Special Warrant Agent as a fiduciary hereunder but if, notwithstanding the provisions of this Section 8.13, such a material conflict of interest exists, the validity and enforceability of this Indenture and the instruments issued hereunder is not affected in any manner whatsoever by reason only that such material conflict of interest exists or arises. The Special Warrant Agent shall, within 30 days after ascertaining that it has a material conflict of interest, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Section 8.5.

8.14 Special Warrant Agent Not Ordinarily Bound

No provision of this Indenture shall require the Special Warrant Agent to expend or risk its own funds or otherwise incur liability, financial or otherwise, in the performance of any of its duties or in the exercise of any of its rights or powers unless it is indemnified and funded to its satisfaction. The obligation of the Special Warrant Agent to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Special Warrantholders hereunder, is conditional upon Special Warrantholders furnishing, when required in writing so to do by the Special Warrant Agent, notice specifying the act, action or proceeding which the Special Warrant Agent is requested to take, an indemnity reasonably satisfactory to the Special Warrant Agent, and funds sufficient for commencing or continuing the act, action or proceeding and an indemnity reasonably satisfactory to the Special Warrant Agent to protect and hold harmless the Special Warrant Agent and its officers, directors, employees and Agent against the costs, charges and expenses and liabilities to be incurred thereby and any loss, damage or liability it may suffer by reason thereof. The Special Warrant Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Special Warrantholders, at whose instance it is acting to deposit with the Special Warrant Agent the Special Warrant Certificates held by them, for which Warrants the Special Warrant Agent shall issue receipts.

8.15 Special Warrant Agent May Deal in Instruments

The Special Warrant Agent may in its personal or other capacity, buy, sell, lend upon and deal in and hold securities of the Company and generally contract and enter into financial transactions with the Company or otherwise, without being liable to account for any profits made thereby.

8.16 Recitals or Statements of Fact Made by Company

Except for the representations contained in Sections 8.13 and 8.20 subject to the provisions hereof, the Special Warrant Agent is not liable for or by reason of any of the statements of fact or recitals contained in this Indenture or in the Special Warrant Certificates and is not required to verify the same but all such statements and recitals are and are deemed to have been made by the Company only.

8.17 Special Warrant Agent's Discretion Absolute

The Special Warrant Agent, except as herein otherwise provided, has, as regards all the duties, powers, authorities and discretions vested in it, absolute and uncontrolled discretion as to the exercise thereof, whether in relation to the manner or as to the mode and time for the exercise thereof.

8.18 No Representations as to Validity

The Special Warrant Agent is not:

(a) under any responsibility in respect of the validity of this Indenture or the execution and delivery thereof or (subject to Section 2.8 hereof) in respect of the validity or the execution of any Special Warrant Certificate;

(b) liable or in any way responsible for the consequences of any breach by the Company of any representation, warranty, covenant or condition contained in this Indenture or in any Special Warrant Certificate or for any acts of the directors, officers, employees, agents or servants of the Corporation; or

(c) by any act hereunder, deemed to make any representation or warranty as to the authorization or reservation of any Unit Shares or Unit Warrants to be issued as provided in this Indenture or in any Special Warrant Certificate or as to whether any shares will when issued be duly authorized or be validly issued and fully paid and non-assessable.

The duty and responsibility as to all the matters and things referred to in this Section8.18 rests upon the Company and not upon the Special Warrant Agent and the failure of the Company to discharge any such duty and responsibility does not in any way render the Special Warrant Agent liable or place upon it any duty or responsibility for breach of which it would be liable.

8.19 Acceptance of Agency

The Special Warrant Agent hereby accepts the agency in this Indenture and agrees to perform the same upon the terms and conditions herein set forth or referred to unless and until discharged therefrom by resignation or in some other lawful way. No trust is intended to be or will be created hereby and the Special Warrant Agent shall owe no duties hereunder as a trustee.

8.20 Special Warrant Agent's Authority to Carry on Business

The Special Warrant Agent represents to the Company that at the date hereof it is authorized to carry on the business of a trust company in all of the Designated Jurisdictions. If, notwithstanding the provisions of this Section 8.20, it ceases to be authorized to carry on such business in any of the Designated Jurisdictions, the validity and enforceability of this Indenture and of the Special Warrants issued hereunder are not affected in any manner whatsoever by reason only of such event, provided that the Special Warrant Agent shall, within 30 days after ceasing to be authorized to carry on business in any of the Designated Jurisdictions, either become so authorized or resign in the manner and with the effect specified in Section 8.5.

8.21 Additional Protections of Special Warrant Agent

By way of supplement to the provisions of any law for the time being relating to the Special Warrant Agent and this Indenture, it is expressly declared and agreed as follows:

(a) the Special Warrant Agent shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture;

(b) the Special Warrant Agent shall incur no liability with respect to the delivery or non- delivery of any certificate or certificates whether delivered by hand, mail or any other means provided that they are sent in accordance with the provisions hereof;

(c) nothing herein contained shall impose any obligation on the Special Warrant Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto; and

(d) the Special Warrant Agent shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Company of any of its covenants herein contained or of any acts of any directors, officers, employees, Agent or servants of the Company.

8.22 Indemnification of Special Warrant Agent

Without limiting any protection or indemnity of the Special Warrant Agent under any other provision hereof, or otherwise at law, the Company hereby agrees to indemnify and hold harmless the Special Warrant Agent, its affiliates, and each of their officers, directors, employees, Agent, successors and assigns (the " **Indemnified Parties**") from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including reasonable legal or advisor fees and disbursements, of whatever kind and nature which may at any time be imposed on, incurred by or asserted against the Indemnified Parties, or any of them, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of the Indemnified Parties' duties, or any other services that Special Warrant Agent may provide in connection with or in any way relating to this Indenture and including any action or liability brought against or incurred by the Indemnified Parties in relation to or arising out of any breach by the Company. Notwithstanding any other provision hereof, the Company agrees that its liability hereunder shall be absolute and unconditional regardless of the correctness of any representations of any third parties and regardless of the correctness of any representations of any third parties and regardless of any liability of third parties to the Indemnified Parties, and shall accrue and become enforceable without prior demand or any other precedent action or proceeding; provided that the Company shall not be required to indemnify the Indemnified Parties in the event of the gross negligence or wilful misconduct or fraud of the Special Warrant Agent. The Special Warrant Agent shall not be under any obligation to prosecute or to defend any action or suit in respect of the relationship which, in the opinion of its counsel, may involve it in expense or liability, unless the Company shall, so often as required, furnish the Special Warrant Agent with satisfactory indemnity and funding against such expense or liability. This provision shall survive the resignation or removal of the Special Warrant Agent, or the termination of this Indenture.

Notwithstanding the foregoing or any other provision of this Indenture, any liability of the Special Warrant Agent shall be limited, in the aggregate, to the amount of annual retainer fees paid by the Company to the Special Warrant Agent under this Indenture in the twelve (12) months immediately prior to the Special Warrant Agent receiving the first notice of the claim. Notwithstanding any other provision of this Indenture, and whether such losses or damages are foreseeable or unforeseeable, the Special Warrant Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages. This provision shall survive the resignation or removal of the Special Warrant Agent, or the termination of this Indenture.

8.23 Performance of Covenants by Special Warrant Agent

If the Company fails to perform any of its covenants contained in this Indenture, then the Company will notify the Special Warrant Agent in writing of such failure and upon receipt by the Special Warrant Agent of such notice, the Special Warrant Agent will notify the Special Warrantholders of such failure on the part of the Company and may itself perform any of the said covenants capable of being performed by it, but shall be under no obligation to perform said covenants or to notify the Special Warrantholders of such performance by it. All sums expended or disbursed by the Special Warrant Agent in so doing shall be reimbursed as provided in Section 3.12. No such performance, expenditure or disbursement by the Special Warrant Agent shall be deemed to relieve the Company of any default hereunder or of its continuing obligations under the covenants herein contained.

8.24 Third Party Interests

Each party to this Indenture hereby represents to the Special Warrant Agent that any account to be opened by, or interest to held by the Special Warrant Agent in connection with this Indenture, for or to the credit of such party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Special Warrant Agent's prescribed form as to the particulars of such third party.

8.25 Not Bound to Act

The Special Warrant Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Special Warrant Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering, anti-terrorist or sanctions legislation, regulation or guideline. Further, should the Special Warrant Agent, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering, anti-terrorist or sanctions legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Company, provided (i) that the Special Warrant Agent's written notice shall describe the circumstances of such noncompliance to the extent permitted by any applicable anti-money laundering, anti-terrorist or sanctions legislation, regulation or guideline; and (ii) that if such circumstances are rectified to the Special Warrant Agent's satisfaction within such 10-day period, then such resignation shall not be effective.

9. NOTICES

9.1 Notice to Company, Special Warrant Agent and Agent

Any notice to the Company, Special Warrant Agent or the Agent under the provisions of this Indenture is valid and effective if in writing delivered, sent by registered letter, postage prepaid or sent by facsimile or email:

(a) to the Company at:

Algernon Pharmaceutical Inc.
Suite 915 - 700 West Pender Street
Vancouver, BC
V6C 1G8

Attn: Christopher J. Moreau, Chief Executive Officer
Email: chris@algernonpharmaceuticals.com

with a copy to:

McMillan LLP
Royal Centre, Suite 1500
1055 West Georgia Street
P.O. Box 11117
Vancouver, BC
V6E 4N7

Attn: Desmond Balakrishnan
Email: desmond.balakrishnan@mcmillan.ca

to the Special Warrant Agent at:

AST Trust Company (Canada)
1066 West Hastings Street, Suite 1600
Vancouver, BC
V6E 3X1

Attn: Susanne Tasche
Email: stasche@astfinancial.com

(b) to the Agent at:

Mackie Research Capital Corporation
199 Bay Street, Suite 4500
Commerce Court West, Box 368
Toronto, ON
M5L 1G2

Attn: David Keating
Email: dkeating@mackieresearch.com

with a copy (which shall not constitute notice hereunder) to:

Fasken Martineau DuMoulin LLP
Bay Adelaide Centre
333 Bay Street, Suite 2400
P.O. Box 20 Toronto, ON M5H 2T6

Attn: John M. Sabetti
E-Mail: jsabetti@fasken.com

Any notice, direction or other instrument aforesaid will, if delivered, be deemed to have been given and received on the day it was delivered and, if mailed, be deemed to have been received on the fifth Business Day following the date of the postmark on such notice and, if sent by facsimile or email, be deemed to have been given and received on the day it was so sent unless it was sent:

(a) on a day which is not a business day in the place to which it was sent; or

(b) after 4:30 p.m. in the place to which it was sent,

in which cases it will be deemed to have been given and received on the next day which is a business day in the place to which it was sent.

9.2 Notice to Special Warrantholders

Any notice to the Special Warrantholders under the provisions of this Indenture is valid and effective if delivered, sent by regular mail or sent by courier, to each Special Warrantholder at its address appearing on the register of Special Warrants kept by the Special Warrant Agent or, in the case of joint holders, to the first such address, and, if delivered or couriered, shall be deemed to have been given and received on the day it was delivered and, if mailed, be deemed to have been received on the fifth Business Day following the date of the postmark on such notice.

A copy of any notice provided to the Special Warrantholders shall be concurrently provided to the Agent in the manner specified in Section 9.1. The Company, the Special Warrant Agent or the Agent, as the case may be, may from time to time notify the other in the manner provided in Section 9.1 of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Company, the Special Warrant Agent or the Agent, as the case may be, for all purposes of this Indenture.

10. POWER OF BOARD OF DIRECTORS

10.1 Board of Directors

In this Indenture, where the Company is required or empowered to exercise any acts, all such acts may be exercised by the directors of the Company, by any duly appointed committee of the directors of the Company or by those officers of the Company authorized to exercise such acts.

11. MISCELLANEOUS PROVISIONS

11.1 Further Assurances

The parties covenant and agree from time to time, as may be reasonably required by any party hereto, to execute and deliver such further and other documents and do all matters and things which are convenient or necessary to carry out the intention of this Indenture more effectively and completely.

11.2 Unenforceable Terms

If any term, covenant or condition of this Indenture or the application thereof to any party or circumstance is invalid or unenforceable to any extent, the remainder of this Indenture or application of such term, covenant or condition to a party or circumstance other than those to which it is held invalid or unenforceable is not affected thereby and each remaining term, covenant or condition of this Indenture is valid and enforceable to the fullest extent permitted by law.

11.3 No Waiver

No consent or waiver, express or implied, by either party to or of any breach or default by the other party in the performance by the other party of its obligations hereunder is deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such party. Failure on the part of either party to complain of any act or failure to act of the other party or to declare the other party in default, irrespective of how long such failure continues, does not constitute a waiver by such party of its rights hereunder.

11.4 Waiver by Special Warrantholders and Special Warrant Agent

Notwithstanding Section 11.3 above, upon the happening of any default hereunder:

(a) the holders of not less than 50% of the Special Warrants plus one Special Warrant then outstanding shall have power (in addition to the powers exercisable by Extraordinary Resolution) by requisition in writing to instruct the Special Warrant Agent to waive any default hereunder and the Special Warrant Agent shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or

(b) the Special Warrant Agent shall have power to waive any default hereunder upon such terms and conditions as the Special Warrant Agent may deem advisable, if, in the Special Warrant Agent's opinion, relying on the opinion of legal counsel, the same shall have been cured or adequate provision made therefor; provided that no delay or omission of the Special Warrant Agent or of the Special Warrantholders to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Special Warrant Agent or of the Special Warrantholders shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder of the rights resulting therefrom.

11.5 Suits by Special Warrantholders

(a) No Special Warrantholder has any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order under the Bankruptcy and Insolvency Act (Canada) or to have the Company wound up or to file or prove a claim in any liquidation or bankruptcy proceedings or for any other remedy hereunder unless the Special Warrantholders by Extraordinary Resolution have made a request to the Special Warrant Agent and the Special Warrant Agent has been afforded reasonable opportunity to proceed or complete any action or suit for any such purpose whether or not in its own name and the Special Warrantholders, or any of them, have furnished to the Special Warrant Agent, when so requested by the Special Warrant Agent sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby and the Special Warrant Agent has failed to act within a reasonable time or the Special Warrant Agent has failed to actively pursue any such act or proceeding.

(b) Subject to the provisions of this Section and otherwise in this Indenture, all or any of the rights conferred upon a Special Warrantholder by the terms of a Special Warrant may be enforced by such Special Warrantholder by appropriate legal proceedings without prejudice to the right which is hereby conferred upon the Special Warrant Agent to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Special Warrantholders from time to time.

11.6 SEC Reporting Status

The Company confirms that as at the date of execution of this Indenture it does not have a class of securities registered pursuant to Section 12 of the U.S. Exchange Act, and is not subject to a reporting obligation pursuant to Section 15(d) of the U.S. Exchange Act.

The Company covenants that in the event that (i) any class of its securities shall become registered pursuant to Section 12 of the U.S. Exchange Act or the Company shall incur a reporting obligation pursuant to Section 15(d) of the U.S. Exchange Act, or (ii) any such registration or reporting obligation shall be terminated by the Company in accordance with the U.S. Exchange Act, the Company shall promptly deliver to the Special Warrant Agent an Officer's Certificate (in a form provided by the Special Warrant Agent) notifying the Special Warrant Agent of such registration or termination and such other information as the Special Warrant Agent may require at the time. The Company acknowledges that the Special Warrant Agent is relying upon the foregoing representation and covenants in order to meet certain obligations imposed by the SEC on the Special Warrant Agent with respect to those clients of the Special Warrant Agent that are subject to the reporting requirements of the U.S. Exchange Act.

11.7 Force Majeure

Except for the payment obligations of the Company contained herein, neither party shall be liable to the other, or held in breach of this Indenture, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics or pandemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Indenture shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section.

11.8 Privacy Matters

The Company acknowledge that the Special Warrant Agent may, in the course of providing services hereunder, collect or receive financial and other personal information about such parties and/or their representatives, as individuals, or about other individuals related to the subject matter hereof, and use such information for the following purposes:

(a) to provide the services required under this Indenture and other services that may be requested from time to time;

(b) to help the Special Warrant Agent manage its servicing relationships with such individuals;

(c) to meet the Special Warrant Agent's legal and regulatory requirements; and

(d) if Social Insurance Numbers are collected by the Special Warrant Agent, to perform tax reporting and to assist in verification of an individual's identity for security purposes.

The Company acknowledges and agrees that the Special Warrant Agent may receive, collect, use and disclose personal information provided to it or acquired by it in the course of its acting as agent hereunder for the purposes described above and, generally, in the manner and on the terms described in its Privacy Code, which the Special Warrant Agent shall make available on its website, www.astfinancial.com/ca-en, or upon request, including revisions thereto. The Special Warrant Agent may transfer personal information to other companies in or outside of Canada that provide data processing and storage or other support in order to facilitate the services it provides.

Further, the Company agrees that it shall not provide or cause to be provided to the Special Warrant Agent any personal information relating to an individual who is not a party to this Indenture unless that party has assured itself that such individual understands and has consented to the aforementioned uses and disclosures.

11.9 Enurement

This Indenture enures to the benefit of and is binding upon the parties hereto and their respective successors and assigns.

11.10 Counterparts

This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof. Delivery of an executed copy of the Indenture by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Indenture as of the date hereof.

11.11 Formal Date and Effective Date

For the purpose of convenience this Indenture is referred to as bearing the formal date of May 13, 2020, however notwithstanding such formal date, this Indenture becomes effective as between the Company and any particular Special Warrantholder upon the date of issuance of a Special Warrant Certificate or Uncertificated Special Warrant to such Special Warrantholder.

ALGERNON PHARMACEUTICALS INC.

Per: */s/ Michael Sadhra*
Authorized Signatory

AST TRUST COMPANY (CANADA)

Per: */s/ Susanne Tasche*
Authorized Signatory

Per: */s/ Leslie McFarlane*
Authorized Signatory

SCHEDULE "A"

FORM OF SPECIAL WARRANT CERTIFICATE

"THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE HOLDING SUCH SECURITIES, AGREES FOR THE BENEFIT OF ALGERNON PHARMACEUTICALS INC. (THE "COMPANY") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE COMPANY; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS OR (C) PURSUANT TO THE EXEMPTIONS FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 THEREUNDER, IF AVAILABLE OR (II) RULE 144A THEREUNDER, IF AVAILABLE, AND, IN BOTH CASES, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES AND, IN THE CASE OF CLAUSE (C)(I) OR (D) ABOVE, OR IF OTHERWISE REQUIRED BY THE COMPANY, THE SELLER HAS FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY TO SUCH EFFECT."

[Note: The legend above need only be endorsed on the special warrant certificate issued to or for the account or benefit of a U.S. Person or person in the United States other than an Original QIB Purchaser]

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY SHALL NOT TRADE THE SECURITY BEFORE [FOUR MONTHS AND ONE DAY AFTER THE ORIGINAL DATE OF ISSUANCE OF SPECIAL WARRANT(S)].

THE SPECIAL WARRANTS REPRESENTED BY THIS CERTIFICATE WILL BE DEEMED TO BE EXERCISED IMMEDIATELY PRIOR TO THE AUTOMATIC EXERCISE TIME (AS DEFINED BELOW) AND WILL BE VOID THEREAFTER."

[Note: Each CDS Global Special Warrant originally issued in Canada and held by the Depository, and each CDS Global Special Warrant issued in exchange therefor or in substitution thereof shall bear or be deemed to bear the following legend or such variations thereof as the Company may prescribe from time to time:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO ALGERNON PHARMACEUTICALS INC. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS, OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS, HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE.

THIS GLOBAL WARRANT HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OR AN EXEMPTION FROM REGISTRATION."]

SPECIAL WARRANT CERTIFICATE

ALGERNON PHARMACEUTICALS INC.

(incorporated under the laws of British Columbia)

No. SW-«Warrant»	«Number» SPECIAL WARRANTS entitling the holder to acquire one Unit Share and one Unit Warrant for each Special Warrant, subject to adjustment as set out below

THIS IS TO CERTIFY that, for value received, «Name» (the "**Special Warrantholder**") is the registered holder of the number of special warrants (the "**Special Warrants**") stated above and is entitled to acquire in the manner and at the time, and subject to the restrictions contained in the Indenture (as defined below) hereinafter referred to, the number of units (the "**Units**") of Algernon Pharmaceuticals Inc. (the "**Company**") as is equal to the number of Special Warrants represented hereby (subject to adjustment as set out in the Indenture), all without payment of any consideration in addition to that paid for the Special Warrants represented hereby. Each Unit is comprised of one common share (a "**Unit Share**") and one common share purchase warrant (a "**Unit Warrant**"). Each Unit Warrant will be issued pursuant to the terms of a warrant indenture dated the date of the Indenture between the Company and AST Trust Company (Canada) (the "**Unit Warrant Agent**") in its capacity as agent for the Unit Warrants and will entitle the holder thereof to acquire one common share of the Company at a price of $0.55 per common share for a period of 24 months following the date hereof, subject to adjustment and/or accelerated expiry in certain circumstances.

The Special Warrants represented by this certificate are issued under and pursuant to a certain indenture (the "**Indenture**") made as of May 13, 2020 between the Company and AST Trust Company (Canada) (the "**Special Warrant Agent**") (which expression includes any successor special warrant agent appointed under the Indenture), to which Indenture and any instruments supplemental thereto reference is hereby made for a full description of the rights of the holders of the Special Warrants and the terms and conditions upon which such Special Warrants are, or are to be, issued and held, all to the same effect as if the provisions of the Indenture and all instruments supplemental thereto were herein set forth, to all of which provisions the holder of these Special Warrants by acceptance hereof assents. All terms defined in the Indenture are used herein as so defined. In the event of any conflict or inconsistency between the provisions of the Indenture and the provisions of this Special Warrant Certificate, except those that are necessary by context, the provisions of the Indenture shall prevail. The Company will furnish to the holder of this Special Warrant Certificate, upon request and without charge, a copy of the Indenture.

A Special Warrantholder may, at any time prior to the Automatic Exercise Time, exercise all or any number of the Special Warrants outstanding which are then held by the Special Warrantholder.

If any Special Warrants have not been voluntarily exercised by the holders thereof prior to the Automatic Exercise Time, then such Special Warrants will be automatically exercised, delivered and surrendered by the holder thereof immediately at the Automatic Exercise Time without any further action on the part of the holder.

The Company has covenanted to use its commercially reasonable efforts to prepare and file the Prospectus and to obtain the Receipt for the Prospectus before the Qualification Deadline qualifying for issuance in the Designated Jurisdictions the Unit Shares and Unit Warrants to be acquired upon automatic exercise of the Special Warrants; provided however that there is no assurance that a Prospectus will be filed or that a Receipt for the Prospectus will be issued by the Commissions prior to the expiry of the statutory four month hold period.

The holder of this Special Warrant Certificate may, at any time prior to the Automatic Exercise Time, exercise all or any number of the Special Warrants represented hereby, by surrendering to the Special Warrant Agent a Special Warrant Certificate or Special Warrant Certificates representing the number of Special Warrants to be exercised, together with the duly completed and executed exercise form attached as Appendix 1 hereto in accordance with the instructions contained in Appendix 5 attached hereto. Any such exercise, at a time when the Company has not received the Receipt for the Prospectus from the Commissions, is subject to compliance with, and may be restricted by, applicable securities laws. If, at the time of the exercise of the Special Warrants, there remain restrictions on resale under applicable securities laws on the Unit Shares and Unit Warrants acquired, the Company may endorse the certificates representing the Unit Shares and Unit Warrants acquired with respect to such resale restrictions.

The Unit Shares and Unit Warrants in respect of which the Special Warrants are exercised will be deemed to have been issued on the date of such exercise, at which time each Special Warrantholder will be deemed to have become the holder of record of such Unit Shares and Unit Warrants.

After the exercise or automatic exercise of Special Warrants, the Special Warrant Agent shall within three Business Days of such exercise or automatic exercise cause to be issued the appropriate number of Unit Shares and Unit Warrants issuable in respect of such Special Warrants, not exceeding those which such Special Warrantholder is entitled to acquire pursuant to the Special Warrants so exercised. If the holder of this Special Warrant Certificate exercises some but not all of the Special Warrants represented hereby, he or she will be entitled to receive, without charge, a new Special Warrant Certificate or other evidence of ownership representing the unexercised number of the Special Warrants represented hereby.

The holder of this Special Warrant Certificate may at any time prior to the Automatic Exercise Time, upon written instruction delivered to the Special Warrant Agent and payment of the charges provided for in the Indenture and otherwise in accordance with the provisions of the Indenture, exchange this Special Warrant Certificate for other Special Warrant Certificates evidencing Special Warrants entitling the holder to acquire in the aggregate the same number of Unit Shares and Unit Warrants as may be acquired under this Special Warrant Certificate.

The number of Units which may be acquired by a Special Warrantholder upon exercise of Special Warrants, are also subject to and governed by Article 4 of the Indenture with respect to the Penalty Provision, anti-dilution provisions, including provisions for the appropriate adjustment of the class, number and price of the securities issuable hereunder upon the occurrence of certain events including any subdivision, consolidation, or reclassification of the shares, payment of stock dividends, or amalgamation of the Company.

The holding of the Special Warrants evidenced by this Special Warrant Certificate does not constitute the Special Warrantholder a shareholder of the Company or entitle such holder to any right or interest in respect thereof except as herein and in the Indenture expressly provided.

The Special Warrants may only be transferred by the Special Warrantholder (or its legal representatives or its attorney duly appointed), in accordance with applicable laws and upon compliance with the conditions set out in the Indenture, on the register kept at the office of the Special Warrant Agent by delivering to the Special Warrant Agent's Vancouver office a duly executed Form of Transfer attached as Appendix 2 hereto and a duly executed Special Warrant Transferee's certificate attached as Appendix 3 hereto and complying with such other reasonable requirements as the Company and the Special Warrant Agent may prescribe and such transfer shall be duly noted on the register by the Special Warrant Agent.

The holder understands and acknowledges that the Special Warrants, Unit Shares and Unit Warrants issuable hereunder (together, the "**Securities**") have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or under the securities laws of any state of the United States, and that Special Warrants originally issued in the United States or to, or for the account or benefit of, a person in the United States or a U.S. person are, and any Securities issued upon exercise of such Special Warrants will be, "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act. "United States" and "U.S. person" have the respective meanings assigned in Regulation S ("**Regulation S**") under the U.S. Securities Act.

The holder understands that the Special Warrants represented hereby may not be exercised within the United States or by or for the account or benefit of a U.S. person or a person in the United States, and the Securities issuable upon exercise of such Special Warrants may not be delivered within the United States or for the account or benefit of a U.S. Person, unless such Securities are registered under the U.S. Securities Act and any applicable state securities laws, or unless an exemption from such registration requirements is available.

The holder understands that, until such time as the same is no longer required under applicable requirements of the U.S. Securities Act or applicable state securities laws, and subject to the exception set forth in Sections 2.2 and 5.9(a) of the Indenture, certificates representing Securities which are "restricted securities", and all certificates issued in exchange therefor or in substitution thereof, will bear a U.S. restrictive legend substantially in the form prescribed by section 5.9(a) of the Special Warrant Indenture; provided that if the Special Warrants, Unit Shares or Unit Warrants, as applicable, were issued at a time when the Company qualified as a "foreign issuer" (as defined in Rule 902(e) of Regulation S) and are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S, such legend may be removed by providing an executed declaration to the Special Warrant Agent or, with respect to Unit Shares, the Company's registrar and transfer agent or, with respect to the Unit Warrants, the Unit Warrant Agent, in substantially the form set forth as Appendix 4 attached to this Special Warrant Certificate (or in such other form as the Company may prescribe from time to time) along with such additional information as the Company, the Special Warrant Agent or the transfer agent (as the case may be) may require, and, if requested by the Company, the Special Warrant Agent or the transfer agent (as the case may be), an opinion of counsel of recognized standing in form and substance satisfactory to the Company, the Special Warrant Agent and the transfer agent (as applicable) to the effect that such sale is being made in compliance with Rule 904 of Regulation S; and provided, further, that, if any Securities are being sold otherwise than to the Company, or in accordance with Regulation S or Rule 144A under the U.S. Securities Act, the legend may be removed by delivery to the Company and the transfer agent of an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Company, the Special Warrant Agent and the transfer agent (as applicable), to the effect that such legend is no longer required under applicable requirements of the U.S. Securities Act and applicable state securities laws.

This Special Warrant Certificate shall be construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and shall be treated in all respects as a British Columbia contract.

After the exercise or automatic exercise of any of the Special Warrants represented by this Special Warrant Certificate, the Special Warrantholder shall no longer have any rights under either the Indenture or this Special Warrant Certificate with respect to such Special Warrants, other than the right to receive certificates or other evidence of ownership representing the Unit Shares and Unit Warrants issuable on the exercise of those Special Warrants, and those Special Warrants shall be void and of no further value or effect.

The Indenture contains provisions making binding upon all Special Warrantholders resolutions passed at meetings of such holders in accordance with such provisions or by instruments in writing signed by the Special Warrantholders holding a specified percentage of the Special Warrants.

IN WITNESS WHEREOF the Company has caused this Special Warrant Certificate to be executed and the Special Warrant Agent has caused this Special Warrant Certificate to be countersigned by its duly authorized officers as of this ___day of_____, 2020.

ALGERNON PHARMACEUTICALS INC.

Per: _____
Authorized Signatory

COUNTERSIGNED BY:

AST TRUST COMPANY (CANADA)

Per: _____
Authorized Signatory

APPENDIX 1 TO
SPECIAL WARRANT CERTIFICATE EXERCISE FORM

TO: ALGERNON PHARMACEUTICALS INC. (the "**Company**")

1. The undersigned hereby irrevocably subscribes for and exercises the right to acquire

_____ Units of the Company (or such number of other securities or property to which such Special Warrants entitle the undersigned in lieu thereof or in addition thereto under the provisions of the accompanying Special Warrant Certificate) according to the provisions of the Indenture referenced in the accompanying Special Warrant Certificate.

2. The Common Shares and Warrants underlying the Units are to be registered as follows:

Name: _____
_____
(print clearly)

Address in full: _____

Number of Units _____

3. Such securities should be sent by courier to:

Name: _____
_____
(print clearly)

Address in full: _____

If the number of Special Warrants exercised is less than the number of Special Warrants represented hereby, the undersigned requests that the new Special Warrant Certificate representing the balance of the Special Warrants be registered in the name of the undersigned and should be sent by courier to:

Name: _____
_____
(print clearly)

Address in full: _____

4. The undersigned understands that upon the exercise of Special Warrants issued in the United States or to, or for the account or benefit of, a "U.S. person" or a person in the United States, which bear the legend in section 5.9(a) of the Special Warrant Indenture, the certificate(s) representing the Common Shares will bear a legend substantially in the form prescribed by section 5.9(a) of the Special Warrant Indenture restricting transfer of the Common Shares without registration under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and applicable state securities laws unless an exemption from registration is available. "U.S. person" and "United States" have the respective meanings assigned in Regulation S under the U.S. Securities Act.

DATED at_____,_____, this _____day of _____, 20____.

Signature Witnessed or Guaranteed (See instructions to Special Warrantholders in Appendix 5)	(Signature of Special Warrantholder, to be the same as appears on the face of this Special Warrant Certificate)
Name of Special Warrantholder: Address (**please print**):	

Notes to Special Warrantholders:

(1) In order to voluntarily exercise the Special Warrants represented by this certificate, prior to the Automatic Exercise Time pursuant to section 5.2 of the Indenture, this exercise form must be delivered to the Special Warrant Agent, together with this Special Warrant Certificate. Refer to the instructions to Special Warrantholders attached as Appendix 5 to this Special Warrant Certificate.

(2) If this exercise form indicates that the Common Shares and Warrants are to be issued to a person or persons other than the registered holder of this Special Warrant Certificate, the registered holder must pay to the Special Warrant Agent all eligible transfer taxes or other government charges, if any, and the Form of Transfer must be duly executed. The signature of such holder on the exercise form and transfer form must be guaranteed by a Canadian Schedule 1 chartered bank, a major trust company in Canada, a member of the Securities Transfer Association Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP).

APPENDIX 2 TO
SPECIAL WARRANT CERTIFICATE
FORM OF TRANSFER

TO: ALGERNON PHARMACEUTICALS INC. (the "**Company**")

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (name) _____ (the "**Transferee**"), of_____(residential address)_____Special Warrants of Algernon Pharmaceutical Inc. registered in the name of the undersigned on the records of AST Trust Company (Canada) represented by the attached certificate, and irrevocably appoints_____as the attorney of the undersigned to transfer the said securities on the books or register of transfer, with full power of substitution.

DATED the _____day of_____, 20__.

_____ Signature Witnessed or Guaranteed (See instructions to Special Warrantholders in Appendix 5)	_____ (Signature of Special Warrantholder, to be the same as appears on the face of this Special Warrant Certificate)
Name of Special Warrantholder: Address (**please print**):	_____ _____ _____

REASON FOR TRANSFER - For US Residents only (where the individual(s) or corporation receiving the securities is a US resident). Please select only one (see instructions below).

☐ **Gift** ☐ **Estate** ☐ **Private Sale** ☐ **Other (or no change in ownership)**

Date of Event (Date of gift, death or sale): ☐☐/☐☐/☐☐☐☐

Value per Special Warrant on the date of event: $☐☐☐.☐☐ ☐ **CAD OR** ☐ **USD**

Note to Special Warrantholders:

(1) In order to transfer the Special Warrants represented by this Special Warrant Certificate, this transfer form must be delivered to the Special Warrant Agent, together with this Special Warrant Certificate and a duly completed and executed Certificate attached as Appendix 3 to this Special Warrant Certificate.

(2) The signature of the holder on the transfer form must be guaranteed by a Canadian Schedule 1 chartered bank, a major trust company in Canada, a member of the Securities Transfer Association Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP).

CERTAIN REQUIREMENTS RELATING TO TRANSFERS - READ CAREFULLY

The signature(s) of the transferor(s) must correspond with the name(s) as written upon the face of this certificate(s), in every particular, without alteration or enlargement, or any change whatsoever. All securityholders or a legally authorized representative must sign this form. The signature(s) on this form must be guaranteed in accordance with the transfer agent's then current guidelines and requirements at the time of transfer. Notarized or witnessed signatures are not acceptable as guaranteed signatures. As at the time of closing, you may choose one of the following methods (although subject to change in accordance with industry practice and standards):

• Canada and the USA: A Medallion Signature Guarantee obtained from a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, NYSE, MSP). Many commercial banks, savings banks, credit unions, and all broker dealers participate in a Medallion Signature Guarantee Program. The Guarantor must affix a stamp bearing the actual words "Medallion Guaranteed", with the correct prefix covering the face value of the certificate.

• Canada: A Signature Guarantee obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust. The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed", sign and print their full name and alpha numeric signing number. Signature Guarantees are not accepted from Treasury Branches, Credit Unions or Caisse Populaires unless they are members of a Medallion Signature Guarantee Program. For corporate holders, corporate signing resolutions, including certificate of incumbency, are also required to accompany the transfer, unless there is a "Signature & Authority to Sign Guarantee" Stamp affixed to the transfer (as opposed to a "Signature Guaranteed" Stamp) obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust or a Medallion Signature Guarantee with the correct prefix covering the face value of the certificate.

• Outside North America: For holders located outside North America, present the certificates(s) and/or document(s) that require a guarantee to a local financial institution that has a corresponding Canadian or American affiliate which is a member of an acceptable Medallion Signature Guarantee Program. The corresponding affiliate will arrange for the signature to be over-guaranteed.

OR

The signature(s) of the transferor(s) must correspond with the name(s) as written upon the face of this certificate(s), in every particular, without alteration or enlargement, or any change whatsoever. The signature(s) on this form must be guaranteed by an authorized officer of Royal Bank of Canada, Scotia Bank or TD Canada Trust whose sample signature(s) are on file with the transfer agent, or by a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, NYSE, MSP). Notarized or witnessed signatures are not acceptable as guaranteed signatures. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED", "MEDALLION GUARANTEED" OR "SIGNATURE & AUTHORITY TO SIGN GUARANTEE", all in accordance with the transfer agent's then current guidelines and requirements at the time of transfer. For corporate holders, corporate signing resolutions, including certificate of incumbency, will also be required to accompany the transfer unless there is a "SIGNATURE & AUTHORITY TO SIGN GUARANTEE" Stamp affixed to the Form of Transfer obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust or a "MEDALLION GUARANTEED" Stamp affixed to the Form of Transfer, with the correct prefix covering the face value of the certificate.

REASON FOR TRANSFER - FOR US RESIDENTS ONLY:

Consistent with US IRS regulations, the Special Warrant Agent is required to request cost basis information from US securityholders. Please indicate the reason for requesting the transfer as well as the date of event relating to the reason. The event date is not the day in which the transfer is finalized, but rather the date of the event which led to the transfer request (i.e. date of gift, date of death of the securityholder, or the date the private sale took place).

APPENDIX 3

SPECIAL WARRANT TRANSFEREE'S CERTIFICATE

1. The Transferee acknowledges that the Special Warrants and the Units, Common Shares and Warrants issuable upon exercise thereof (collectively, the "**Securities**") have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and may not be offered or sold in the United States unless registered under the U.S. Securities Act and the securities laws of all applicable states of the United States, or an exemption from such registration requirements is available, and that the Company has no obligation or present intention of filing a registration statement under the U.S. Securities Act in respect of the Securities;

2. The Transferee is not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act (a "**U.S. Person**"), which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States;

3. The Transferee is resident at the address set forth on the signature page of this certificate;

4. The Securities are not being acquired directly or indirectly for the account of benefit of a U.S. Person or a person in the United States, and the Transferee does not have any agreement or understanding (either written or oral) with any U.S. Person or a person in the United States respecting:

   (a) the transfer or assignment of any rights or interest in any of the Securities;

   (b) the division of profits, losses, fees, commissions, or any financial stake in connection with this purchase; or

   (c) the voting of the Common Shares issuable on the exercise of the Special Warrants;

5. It has no intention to distribute either directly or indirectly any of the Securities in the United States or to U.S. Persons;

6. No offers to sell the Special Warrants were made by any person to the Transferee while the Transferee was in the United States;

7. The Transferee was outside the United States at the time of the Transferee's purchase of the Special Warrants;

8. The Transferee acknowledges that the certificates representing the Special Warrants will state that the Special Warrants and underlying Units, Common Shares and Warrants, have not been registered under the U.S. Securities Act or the securities laws of any state of the United States, and the Special Warrants may not be exercised in the United States or by or on behalf of a U.S. Person or a person in the United States unless registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available; and

9. The Transferee acknowledges that the Special Warrants may be transferred only if:

(a) the Special Warrants are transferred outside the United States to a non-U.S. person who properly completes, executes and delivers to the Company the certificate attached as Appendix 2 to the form of Special Warrant, or

(b) in the event of the transfer of the Special Warrants to or for the account or benefit of a U.S. Person or a person in the United States, or in the event of the transfer of the Special Warrants to a person whom the agent for the Special Warrants (the "**Special Warrant Agent**") has reasonable grounds to believe is or is acting for the account or benefit of a

U.S. Person or a person in the United States, the Company has received a written opinion of counsel of recognized standing or other evidence satisfactory to it that the transfer of Special Warrants to such person is in compliance with applicable United States federal and state securities laws, and the Company has provided a direction to the Special Warrant Agent to proceed with such registration, subject to such terms or conditions, including legending the certificates representing the Special Warrants, as may be required at law.

Signature of Transferee	Address
Name	

APPENDIX 4

FORM OF DECLARATION FOR REMOVAL OF LEGEND

TO: Algernon Pharmaceuticals Inc. (the "**Company**")

AND TO: ☐ AST Investor Services Inc., as registrar and transfer agent for the Common Shares of Algernon Pharmaceutical Inc., OR

☐ AST Trust Company (Canada), as Special Warrant Agent for the Special Warrants of Algernon Pharmaceutical Inc., OR

☐ AST Trust Company (Canada), as Unit Warrant Agent for the Unit Warrants of Algernon Pharmaceutical Inc.

The undersigned (A) acknowledges that the sale of the securities of the Company represented by certificate number_____or held in Direct Registration System account number _____, to which this declaration relates, is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and (B) certifies that (1) the undersigned is not an "affiliate" (as defined in Rule 405 under the U.S. Securities Act) of the Company; (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another designated offshore securities market within the meaning of Rule 902(b) under the U.S. Securities Act, and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States; (3) neither the seller nor any person acting on its behalf engaged in any directed selling efforts in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as that term is defined in Rule 144(a)(3) under the U.S. Securities Act); (5) the seller does not intend to replace such securities with fungible unrestricted securities; and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S under the U.S. Securities Act, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

Dated_____, 20____.

X _____
Signature of individual (if Holder **is** an individual)

X _____
Authorized signatory (if Holder is **not** an individual)

_____
Name of Holder (**please print**)

_____
Name of authorized signatory (**please print**)

_____
Official capacity of authorized signatory (**please print**)

Affirmation by Seller's Broker-Dealer
(required for sales in accordance with Section (B)(2)(b) above)

We have read the representations of our customer_____(the "**Seller**") contained in the foregoing Declaration for Removal of Legend, dated_____, 20__, with regard to the sale, for such Seller's account, of _____common shares (the "**Securities**") of the Company represented by certificate number _____or held in Direct Registration System account number _____. We have executed sales of the Securities pursuant to Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), on behalf of the Seller. In that connection, we hereby represent to you as follows:

(1) no offer to sell Securities was made to a person in the United States;

(2) the sale of the Securities was executed in, on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another designated offshore securities market (as defined in Rule 902(b) of Regulation S under the U.S. Securities Act), and, to the best of our knowledge, the sale was not pre-arranged with a buyer in the United States;

(3) no "directed selling efforts" were made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and

(4) we have done no more than execute the order or orders to sell the Securities as agent for the Seller and will receive no more than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

For purposes of these representations: "affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned; "directed selling efforts" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Securities (including, but not be limited to, the solicitation of offers to purchase the Securities from persons in the United States); and "United States" means the United States of America, its territories or possessions, any State of the United States, and the District of Columbia.

Legal counsel to the Company shall be entitled to rely upon the representations, warranties and covenants contained herein to the same extent as if this affirmation had been addressed to them.

_____

Name of Firm

By: _____

Authorized Officer

Date: _____

APPENDIX 5

INSTRUCTIONS TO SPECIAL WARRANTHOLDERS

TO EXERCISE:

If the Special Warrantholder voluntarily exercises Special Warrants prior to the Automatic Exercise Time pursuant to section 5.2 of the Indenture, it must complete, sign and deliver:

(a) the Exercise Form, attached as Appendix 1; and

(b) the Special Warrant Certificates,

to the Special Warrant Agent indicating the number of Common Shares and Warrants to be acquired. In such case, the signature of such registered holder on the Exercise Form must be witnessed.

TO TRANSFER:

If the Special Warrantholder wishes to transfer Special Warrants, then the Special Warrantholder must complete, sign and deliver (as appropriate):

(a) the Transfer Form attached as Appendix 2;

(b) the Special Warrant Certificates; and

(c) the Special Warrant Transferee's Certificate attached as Appendix 3,

to the Special Warrant Agent indicating the number of Special Warrants to be transferred.

If the Special Warrant Certificate is transferred, the Special Warrantholder's signature on the Transfer Form must be guaranteed by an authorized officer of a chartered bank, trust company or an investment dealer who is a member of a recognized stock exchange.

For the protection of the holder, it would be prudent to use registered mail if forwarding by mail.

GENERAL:

If the Transfer Form or Exercise Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the Special Warrant Certificate must also be accompanied by evidence of authority to sign satisfactory to the Special Warrant Agent.

The name and address of the Special Warrant Agent is:

AST Trust Company (Canada)
1066 West Hastings Street, Suite 1600
Vancouver, BC
V6E 3X1

SCHEDULE "B"

DEFINITION OF "U.S. PERSON" AND "UNITED STATES"

"**U.S. Person**"

1. U.S. person means:

   (a) any natural person resident in the United States;

   (b) any partnership or corporation organized or incorporated under the laws of the United States;

   (c) any estate of which any executor or administrator is a U.S. person;

   (d) any trust of which any trustee is a U.S. person;

   (e) any agency or branch of a foreign entity located in the United States;

   (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;

   (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and

   (h) any partnership or corporation if:

      (i) organized or incorporated under the laws of any foreign jurisdiction; and

      (ii) formed by a U.S. person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned by accredited investors (as defined in Rule 501(a) under the U.S. Securities Act) who are not natural persons, estates or trusts.

2. Notwithstanding paragraph 1 of this section, any discretionary account or similar account (other than an estate or trust) held for the benefit of or account of a non-U.S. person by a dealer or other professional fiduciary organized, incorporated or (if an individual) resident in the United States shall not be deemed a U.S. person.

3. Notwithstanding paragraph 1 of this section, any estate of which any professional fiduciary acting as executor or administrator is a U.S. person shall not be deemed a U.S. person if:

   (a) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and

   (b) the estate is governed by foreign law.

4. Notwithstanding paragraph 1 of this section, any trust of which any professional fiduciary acting as trustee is a U.S. person shall not be deemed a U.S. person if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. person.

5. Notwithstanding paragraph 1 of this section, an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country shall not be deemed a U.S. person.

6. Notwithstanding paragraph 1 of this section, any agency or branch of a U.S. person located outside the United States shall not be deemed a "U.S. person" if:

   (a) the agency or branch operates for valid business reasons; and

   (b) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.

7. The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans shall not be deemed "U.S. persons."

"**United States**"

1. "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

ALGERNON PHARMACEUTICALS INC.

as the Corporation

and

AST TRUST COMPANY (CANADA)

as the Warrant Agent

WARRANT INDENTURE

Providing for the Issue of Warrants

Dated as of May 13, 2020

TABLE OF CONTENTS

WARRANT INDENTURE

THIS WARRANT INDENTURE is dated as of May 13, 2020

BETWEEN:

ALGERNON PHARMACEUTICALS INC., a corporation incorporated under the laws of the Province of British Columbia

(the "**Corporation**"),

- and -

AST TRUST COMPANY (CANADA), a trust company existing under the laws of Canada and authorized to carry on business in all provinces of Canada

(the "**Warrant Agent**")

WHEREAS pursuant to the terms of the Agency Agreement (as defined herein), the Corporation has agreed to sell by way of a private placement offering (the "**Offering**") a maximum of 17,143,000 special warrants (the "**Special Warrants**") at a price of $0.35 per Special Warrant for total gross proceeds to the Corporation of up to approximately $6,000,050, plus an option granted to the Agent (as defined herein) (the "**Agent's Option**") to arrange for the sale of up to an additional 15% Special Warrants, each such Special Warrant entitling the holder thereof to acquire, subject to adjustment in accordance with this Indenture, one unit (each, a "**Unit**") upon exercise or automatic exercise thereof, with each Unit consisting of one Common Share (as defined herein) and one Warrant (as defined herein);

WHEREAS pursuant to the Agency Agreement, the Corporation is proposing to issue up to 24,272,430 Warrants (including Warrants issuable pursuant to the Penalty Provisions), comprised of a maximum of 22,474,473 (including Warrants issuable pursuant to the Penalty Provisions) Warrants that comprise the Units issued under the Offering, up to 2,571,450 Warrants issuable pursuant to the exercise of the Agent's Option and up to 1,797,957 Warrants issuable pursuant to the exercise of Compensation Options (as defined herein) under this Indenture;

AND WHEREAS pursuant to this Indenture, each Warrant shall, subject to adjustment, entitle the holder thereof to acquire one Common Share upon payment of the Exercise Price (as defined herein) upon the terms and conditions herein set forth;

AND WHEREAS all acts and deeds necessary have been done and performed to make the Warrants, when created and issued as provided in this Indenture, legal, valid and binding upon the Corporation with the benefits and subject to the terms of this Indenture;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Warrant Agent;

NOW THEREFORE, in consideration of the premises and mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation hereby appoints the Warrant Agent as warrant agent to hold the rights, interests and benefits contained herein for and on behalf of those persons who from time to time become the holders of Warrants issued pursuant to this Indenture and the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

Section 1.1 Definitions.

In this Indenture, including the recitals and schedules hereto, and in all indentures supplemental hereto:

"**Acceleration Notice**" means a notice of acceleration deliverable by the Corporation to Warrantholders via press release and in accordance with Section 10.2 upon the Corporation's exercise of the Acceleration Right;

"**Acceleration Right**" means, subject to the approval of the CSE and to Section 2.2(6), the right of the Corporation to accelerate the Expiry Date to the date that is not less than 30 days following delivery of the Acceleration Notice if, at any time prior to the Expiry Date, the daily volume-weighted average trading price of the Common Shares exceeds $1.00 for the preceding 10 consecutive Trading Days on the CSE;

"**Adjustment Period**" means the period from the Effective Date up to and including the Expiry Time;

"**Agency Agreement**" means the agency agreement dated the date hereof between the Corporation and the Agent entered into in connection with the Offering;

"**Agent**" means Mackie Research Capital Corporation;

"**Applicable Legislation**" means any statute of Canada or a province thereof, and the regulations under any such named or other statute, relating to warrant indentures or to the rights, duties and obligations of warrant agents under warrant indentures, to the extent that such provisions are at the time in force and applicable to this Indenture;

"**Auditors**" means Smythe LLP or such other firm of chartered accountants duly appointed as auditors of the Corporation, from time to time;

"**Authenticated**" means (a) with respect to the issuance of a Warrant Certificate, one which has been duly signed by the Corporation and authenticated by signature of an authorized officer of the Warrant Agent,
(b) with respect to the issuance of an Uncertificated Warrant, one in respect of which the Warrant Agent has completed all Internal Procedures such that the particulars of such Uncertificated Warrant as required by Section 2.7 are entered in the register of holders of Warrants, and "*Authenticate*", "*Authenticating*" and "*Authentication*" have the appropriate correlative meanings;

"**Book Entry Only Participants**" or "**Participants**" means institutions that participate directly or indirectly in the Depository's book entry registration system for the Warrants;

"**Book Entry Only Warrants**" means Warrants that are to be held only by or on behalf of the Depository;

"**Business Day**" means any day other than Saturday, Sunday or a statutory or civic holiday, or any other day on which banks are not open for business in the City of Vancouver**,** Province of British Columbia and the City of Toronto, Province of Ontario, and shall be a day on which the CSE is open for trading;

"**CDS Global Warrants**" means Warrants representing all or a portion of the aggregate number of Warrants issued in the name of the Depository represented by an Uncertificated Warrant, or if requested by the Depository or the Corporation, by a Warrant Certificate;

"**CDSX**" means the settlement and clearing system of CDS Clearing and Depository Services Inc. for equity and debt securities in Canada;

"**Certificated Warrant**" means a Warrant evidenced by a writing or writings substantially in the form of Schedule "A", attached hereto;

"**Closing Date**" means May 13, 2020;

"**Common Shares**" means, subject to Article 4, fully paid and non-assessable class A common shares of the Corporation as presently constituted;

"**Compensation Options**" means an aggregate of up to 1,797,956 compensation options issuable to the Agent on the date hereof, each compensation option exercisable to acquire one Unit (subject to the issuance of an additional 0.10 Units, if a receipt for the Final Prospectus is not received within 35 days following the Closing Date, and an additional 0.02 of a Unit for each additional 30 days thereafter prior to the Qualification Date, pursuant to the Penalty Provisions), until May 13, 2022;

"**Counsel**" means a barrister and/or solicitor or a firm of barristers and/or solicitors retained by the Warrant Agent or retained by the Corporation, which may or may not be counsel for the Corporation;

"**CSE**" means the Canadian Securities Exchange or any successor thereto;

"**Current Market Price**" of the Common Shares at any date means the weighted average of the trading price per Common Share for such Common Shares for each day there was a closing price for the twenty (20) consecutive Trading Days ending five (5) days prior to such date on the CSE or if on such date the Common Shares are not listed on the CSE, on such stock exchange upon which such Common Shares are listed and as selected by the directors of the Corporation, or, if such Common Shares are not listed on any stock exchange then on such over-the-counter market as may be selected for such purpose by the directors of the Corporation;

"**Depository**" means CDS Clearing and Depository Services Inc. or such other person as is designated in writing by the Corporation to act as depository in respect of the Warrants;

"**Dividends**" means any dividends paid by the Corporation;

"**Effective Date**" means the date of this Indenture;

"**Exchange Rate**" means the number of Common Shares subject to the right of purchase under each Warrant;

"**Exercise Date**" means, in relation to a Warrant, the Business Day on which such Warrant is validly exercised or deemed to be validly exercised in accordance with Article 3 hereof;

"**Exercise Notice**" has the meaning set forth in Section 3.2(1);

"**Exercise Price**" at any time means the price at which a whole Common Share may be purchased by the exercise of a whole Warrant, which is $0.55 per Common Share, payable in immediately available Canadian funds, subject to adjustment in accordance with the provisions of Section 4.1;

"**Expiry Date**" means the earlier of (i) May 13, 2022; and (ii) the date specified in an Acceleration Notice which shall not be less than thirty (30) days following the date of delivery of an Acceleration Notice in accordance with Section 2.2(6);

"**Expiry Time**" means 4:00 p.m. (Pacific time) on the Expiry Date;

"**Extraordinary Resolution**" has the meaning set forth in Section 7.11(1);

"**Final Prospectus**" means the (final) short form prospectus filed with the Commissions by the Company qualifying the distribution of the Common Shares and Warrants comprising the Units underlying the Special Warrants;

"**Internal Procedures**" means in respect of the making of any one or more entries to, changes in or deletions of any one or more entries in the register at any time (including without limitation, original issuance or registration of transfer of ownership) the minimum number of the Warrant Agent's internal procedures customary at such time for the entry, change or deletion made to be complete under the operating procedures followed at the time by the Warrant Agent, it being understood that neither preparation nor issuance shall constitute part of such procedures for any purpose of this definition;

"**Issue Date**" means the date on which the Warrants are actually originally issued by the Corporation;

"**Offering**" has the meaning attributed to it in the recitals hereto;

"**Original QIB Purchaser**" means an original purchaser of Special Warrants who, as a U.S. Purchaser that qualifies as a Qualified Institutional Buyer, has executed and delivered a U.S. QIB Certificate;

"**Penalty Provisions**" means the provisions of the Special Warrant Indenture which provide for the issuance of an additional 0.10 Units to certain holders of Special Warrants if the Corporation has not received the Receipt by 5:00 pm (Vancouver time) on the date that is 35 days after the Closing Date, and thereafter at the end of each additional 30-day period prior to the Qualification Date, each Special Warrant will be exercisable for an additional 0.02 of a Unit, as further outlined in the Special Warrant Indenture;

"**person**" means an individual, body corporate, partnership, trust, warrant agent, executor, administrator, legal representative or any unincorporated organization;

"**Qualification Condition**" means the Company obtaining the Receipt;

"**Qualification Date**" means the earlier of:

(i) the third business day after the Qualification Condition is satisfied; and

(ii) the date that is four months and one day after the Closing Date;

"**Qualified Institutional Buyer**" means a "qualified institutional buyer" as defined in Rule 144A of the U.S. Securities Act;

"**Qualifying Jurisdictions**" means each of the provinces of Canada, other than Quebec, and other jurisdictions which are agreed to by the Corporation and the Agent;

"**Receipt**" means the receipt issued by the British Columbia Securities Commission for the Final Prospectus, which is deemed to also be a receipt of the securities commissions of the other Canadian Qualifying Jurisdictions (other than Ontario) and also evidences the receipt for the Final Prospectus of the

Ontario Securities Commission pursuant to Multilateral Instrument 11-102 *Passport System* and National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*;

"**register**" means the one set of records and accounts maintained by the Warrant Agent pursuant to Section 2.9;

"**Registered Warrantholders**" means the persons who are registered owners of Warrants as such names appear on the register, and for greater certainty, shall include the Depository as well as the holders of Uncertificated Warrants appearing on the register of the Warrant Agent;

"**Regulation S**" means Regulation S as promulgated by the SEC under the U.S. Securities Act;

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities Commissions**" means, collectively, the securities commissions or other securities regulatory authorities under the applicable securities laws of each of the Canadian Qualifying Jurisdictions;

"**Selling Jurisdictions**" means each of the provinces of Canada in which sales of Special Warrants have been made and where the Corporation was required to file a short form prospectus pursuant to the terms of the Agency Agreement;

"**Shareholders**" means holders of Common Shares;

"**Special Warrant Indenture**" means the special warrant indenture among the Corporation and AST Trust Company (Canada) in its capacity as special warrant agent dated as of the Closing Date and governing the Special Warrants;

"**Special Warrants**" has the meaning attributed to it in the recitals hereto;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder;

"**this Warrant Indenture**", "**this Indenture**", "**this Agreement**", "**hereto**" "**herein**", "**hereby**", "**hereof**" and similar expressions mean and refer to this Indenture and any indenture, deed or instrument supplemental hereto; and the expressions "**Article**", "**Section**", "**subsection**" and "**paragraph**" followed by a number, letter or both mean and refer to the specified article, section, subsection or paragraph of this Indenture;

"**Trading Day**" means, with respect to the CSE, a day on which such exchange is open for the transaction of business and with respect to another exchange or an over-the-counter market means a day on which such exchange or market is open for the transaction of business;

"**Uncertificated Warrant**" means any Warrant which is not a Certificated Warrant;

"**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"**Units**" has the meaning attributed to it in the recitals hereto;

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended;

"**U.S. Person**" has the meaning set forth in Rule 902(k) of Regulation S;

"**U.S. Purchaser**" means an original purchaser of Special Warrants who was, at the time of purchase, (a) a U.S. Person, (b) any person purchasing such Special Warrants on behalf of, or for the account or benefit of, any U.S. Person or any person in the United States, (c) any person who receives or received an offer to acquire such Special Warrants while in the United States, and (d) any person who was in the United States at the time such person's buy order was made or the subscription agreement pursuant to which such Special Warrants were acquired was executed or delivered;

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended;

"**U.S. Warrantholder**" means any Warrantholder that (a) is a U.S. Person, (b) is in the United States, (c) any person who acquired Warrants on behalf of, or for the account or benefit of, any U.S. Person or any person in the United States, (d) received an offer to acquire Warrants while in the United States, or (e) was in the United States at the time such Warrantholder's buy order was made or such Warrantholder executed or delivered its purchase order for the Warrants;

"**U.S. QIB Certificate**" means a U.S. Purchaser Certificate executed by an Original QIB Purchaser in connection with its purchase of Special Warrants pursuant to the private placement offering under which the Special Warrants were issued, substantially in the form annexed as Schedule "C" to the form of subscription agreement used for such offering, wherein the Original QIB Purchaser has initialed Section 1(c) indicating that it qualifies as a Qualified Institutional Buyer and is making the covenants, representations and warranties set forth in Sections 2 and 4 of the U.S. QIB Certificate;

"**U.S. Warrantholder Letter**" means the U.S. Warrantholder letter in substantially the form attached hereto as Schedule "D";

"**Warrants**" means the Common Share purchase warrants created by and authorized by and issuable under this Indenture, to be issued and countersigned hereunder as a Certificated Warrant and /or Uncertificated Warrant held through the book entry registration system on a no certificate issued basis, entitling the holder or holders thereof to purchase up to 24,272,430 Common Shares (subject to adjustment as herein provided) at the Exercise Price prior to the Expiry Time and, where the context so requires, also means the Warrants issued and Authenticated hereunder, whether by way of Warrant Certificate or Uncertificated Warrant;

"**Warrant Agency**" means the principal office of the Warrant Agent in the City of Vancouver, British Columbia or such other place as may be designated in accordance with Section 3.5;

"**Warrant Agent**" means AST Trust Company (Canada), in its capacity as warrant agent of the Warrants, or its successors from time to time;

"**Warrant Certificate**" means a certificate, substantially in the form set forth in Schedule "A" hereto, to evidence those Warrants that will be evidenced by a certificate;

"**Warrantholders**", or "**holders**" without reference to Warrants, means the warrantholders as and in respect of Warrants registered in the name of the Depository and includes owners of Warrants who beneficially hold securities entitlements in respect of the Warrants through a Book Entry Only Participant or means, at a particular time, the persons entered in the register hereinafter mentioned as holders of Warrants outstanding at such time;

"**Warrantholders' Request**" means an instrument signed in one or more counterparts by Registered Warrantholders entitled to acquire in the aggregate not less than 50% of the aggregate number of Common Shares which could be acquired pursuant to all Warrants then unexercised and outstanding, requesting the Warrant Agent to take some action or proceeding specified therein; and

"**written order of the Corporation**", "**written request of the Corporation**", "**written consent of the Corporation**" and "**certificate of the Corporation**" mean, respectively, a written order, request, consent and certificate signed in the name of the Corporation by any two duly authorized signatories of the Corporation and may consist of one or more instruments so executed.

Section 1.2 Gender and Number.

Words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa.

Section 1.3 Headings, Etc.

The division of this Indenture into Articles and Sections, the provision of a Table of Contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Warrants.

Section 1.4 Day not a Business Day.

If any day on or before which any action or notice is required to be taken or given hereunder is not a Business Day, then such action or notice shall be required to be taken or given on or before the requisite time on the next succeeding day that is a Business Day.

Section 1.5 Time of the Essence.

Time shall be of the essence of this Indenture.

Section 1.6 Monetary References.

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

Section 1.7 Applicable Law.

This Indenture, the Warrants and the Warrant Certificates (including all documents relating thereto, which by common accord have been and will be drafted in English) shall be construed in accordance with the laws of the Province of British Columbia and the federal laws applicable therein and shall be treated in all respects as British Columbia contracts. Each of the parties hereto, which shall include the Warrantholders, irrevocably attorns to the exclusive jurisdiction of the courts of the Province of British Columbia with respect to all matters arising out of this Indenture and the transactions contemplated herein.

ARTICLE 2
ISSUE OF WARRANTS

Section 2.1 Creation and Issue of Warrants

A maximum of 24,272,430 Warrants (subject to adjustment as herein provided) are hereby created and authorized to be issued in accordance with the terms and conditions hereof. By written order of the Corporation, the Warrant Agent shall deliver Warrant Certificates to Registered Warrantholders and record the name of the Registered Warrantholders on the Warrant register. Registration of interests in Warrants held by the Depository may be evidenced by a position appearing on the register for Warrants of the Warrant Agent for an amount representing the aggregate number of such Warrants outstanding from time to time.

Section 2.2 Terms of Warrants.

(1) Subject to the applicable conditions for exercise set out in Article 3 having been satisfied and subject to adjustment in accordance with Section 4.1 each Warrant shall entitle each Warrantholder thereof, upon exercise at any time after the Issue Date and prior to the Expiry Time, to acquire one Common Share upon payment of the Exercise Price.

(2) No fractional Warrants shall be issued or otherwise provided for hereunder and Warrants may only be exercised in a sufficient number to acquire whole numbers of Common Shares. Any fractional Common Shares shall be rounded down to the nearest whole number and no consideration shall be paid for any such fractional Common Share which is not issued.

(3) Each Warrant shall entitle the holder thereof to such other rights and privileges as are set forth in this Indenture.

(4) The number of Common Shares which may be purchased pursuant to the Warrants and the Exercise Price therefor shall be adjusted upon the events and in the manner specified in Section 4.1.

(5) Neither the Corporation nor the Warrant Agent shall have any obligation to deliver Common Shares upon the exercise of any Warrant if the person to whom such shares are to be delivered is a resident of a country or political subdivision thereof in which the Common Shares may not lawfully be issued pursuant to applicable securities legislation. The Corporation or the Warrant Agent may require any person to provide proof of an applicable exemption from such securities legislation to the Corporation and Warrant Agent before Common Shares are delivered pursuant to the exercise of any Warrant.

(6) If at any time prior to the Expiry Date, the daily volume-weighted average trading price of the Common Shares shall exceed $1.00 for the preceding ten (10) consecutive Trading Days, the Corporation may exercise the Acceleration Right by, within 15 days of such event, delivering an Acceleration Notice to the Warrantholders whereupon the Warrants will expire on the date specified in the Acceleration Notice which shall not be earlier than the 30th calendar day after the date of such Acceleration Notice. An Acceleration Notice shall be delivered to each Warrantholder pursuant to a press release issued by the Corporation and in the manner described in Section 10.2.

Section 2.3 Warrantholder not a Shareholder.

Except as may be specifically provided herein, nothing in this Indenture or in the holding of a Warrant Certificate, entitlement to a Warrant or otherwise, shall, in itself, confer or be construed as conferring upon a Warrantholder any right or interest whatsoever as a Shareholder, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of Shareholders or any other proceedings of the Corporation, or the right to Dividends and other allocations.

Section 2.4 Warrants to Rank Pari Passu.

All Warrants shall rank equally and without preference over each other, whatever may be the actual date of issue thereof.

Section 2.5 Form of Warrants, Certificated Warrants.

(1) The Warrants may be issued in both certificated and uncertificated form. Each Warrant originally issued to a U.S. Purchaser, other than Warrants issued to an Original QIB Purchaser, will be evidenced in certificated form only and bear the applicable legend set forth in Section 2.8(1). All Warrants issued in certificated form shall be evidenced by a Warrant Certificate (including all replacements issued in accordance with this Indenture), substantially in the form set out in Schedule "A" hereto, which shall be dated as of the Issue Date, shall bear such distinguishing letters and numbers as the Corporation may, with the approval of the Warrant Agent, prescribe, and shall be issuable in any denomination excluding fractions. All Warrants issued to the Depository may be in either a certificated or uncertificated form, such uncertificated form being evidenced by a book position on the register of Warrantholders to be maintained by the Warrant Agent in accordance with Section 2.6.

(2) Each Warrantholder by purchasing such Warrant acknowledges and agrees that the terms and conditions set forth in the form of the Warrant Certificate set out in Schedule "A" hereto shall apply to all Warrants and Warrantholders regardless of whether such Warrants are issued in certificated or uncertificated form or whether such Warrantholders are Registered Warrantholders or owners of Warrants who beneficially hold security entitlements in respect of the Warrants through a Depository.

Section 2.6 Book Entry Only Warrants.

(1) Reregistration of beneficial interests in and transfers of Warrants held by the Depository shall be made only through the book entry registration system and no Warrant Certificates shall be issued in respect of such Warrants except where physical certificates evidencing ownership in such securities are required or as set out herein or as may be requested by the Depository, as determined by the Corporation, from time to time. Except as provided in this Section 2.6, owners of beneficial interests in any CDS Global Warrants shall not be entitled to have Warrants registered in their names and shall not receive or be entitled to receive Warrants in certificated form or to have their names appear in the register referred to in Section 2.9 herein. Notwithstanding any terms set out herein, Warrants having any legend set forth in Section 2.8 herein and held in the name of the Depository may only be held in the form of Uncertificated Warrants with the prior consent of the Warrant Agent and in accordance with the internal procedures of the Warrant Agent.

(2) Notwithstanding any other provision in this Indenture, no CDS Global Warrants may be exchanged in whole or in part for Warrants registered, and no transfer of any CDS Global Warrants in whole or in part may be registered, in the name of any person other than the Depository for such CDS Global Warrants or a nominee thereof unless:

(a) the Depository notifies the Corporation that it is unwilling or unable to continue to act as depository in connection with the Book Entry Only Warrants and the Corporation is unable to locate a qualified successor;

(b) the Corporation determines that the Depository is no longer willing, able or qualified to discharge properly its responsibilities as holder of the CDS Global Warrants and the Corporation is unable to locate a qualified successor;

(c) the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Corporation is unable to locate a qualified successor;

(d) the Corporation determines that the Warrants shall no longer be held as Book Entry Only Warrants through the Depository;

(e) such right is required by Applicable Legislation, as determined by the Corporation and the Corporation's Counsel;

(f) the Warrant is to be Authenticated to or for the account or benefit of a U.S. Warrantholder; or

(g) such registration is effected in accordance with the internal procedures of the Depository and the Warrant Agent,

following which, Warrants for those holders requesting the same shall be registered and issued to the beneficial owners of such Warrants or their nominees as directed by the holder. The Corporation shall provide an Officer's Certificate giving notice to the Warrant Agent of the occurrence of any event outlined in this Section 2.6 (2)(a) -(g) .

(3) Subject to the provisions of this Section 2.6, any exchange of CDS Global Warrants for Warrants which are not CDS Global Warrants may be made in whole or in part in accordance with the provisions of Section 2.11, *mutatis mutandis*. All such Warrants issued in exchange for a CDS Global Warrant or any portion thereof shall be registered in such names as the Depository for such CDS Global Warrants shall direct and shall be entitled to the same benefits and subject to the same terms and conditions (except insofar as they relate specifically to CDS Global Warrants) as the CDS Global Warrants or portion thereof surrendered upon such exchange.

(4) Every Warrant that is Authenticated upon registration or transfer of a CDS Global Warrant, or in exchange for or in lieu of a CDS Global Warrant or any portion thereof, whether pursuant to this Section 2.6, or otherwise, shall be Authenticated in the form of, and shall be, a CDS Global Warrant, unless such Warrant is registered in the name of a person other than the Depository for such CDS Global Warrant or a nominee thereof.

(5) Notwithstanding anything to the contrary in this Indenture, subject to Applicable Legislation, the CDS Global Warrant will be issued as an Uncertificated Warrant, unless otherwise requested in writing by the Depository or the Corporation.

(6) The rights of beneficial owners of Warrants who hold securities entitlements in respect of the Warrants through the book entry registration system shall be limited to those established by applicable law and agreements between the Depository and the Book Entry Only Participants and between such Book Entry Only Participants and the beneficial owners of Warrants who hold securities entitlements in respect of the Warrants through the book entry registration system, and such rights must be exercised through a Book Entry Only Participant in accordance with the rules and procedures of the Depository.

(7) Notwithstanding anything herein to the contrary, neither the Corporation nor the Warrant Agent nor any agent thereof shall have any responsibility or liability for:

(a) the electronic records maintained by the Depository relating to any ownership interests or any other interests in the Warrants or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any person in any Warrant represented by an electronic position in the book entry registration system (other than the Depository or its nominee);

(b) maintaining, supervising or reviewing any records of the Depository or any Book Entry Only Participant relating to any such interest; or

(c) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Book Entry Only Participant.

(8) The Corporation may terminate the application of this Section 2.6 in its sole discretion in which case all Warrants shall be evidenced by Warrant Certificates registered in the name of a person other than the Depository.

Section 2.7 Warrant Certificate.

(1) For Warrants issued in certificated form, the form of certificate representing Warrants shall be substantially as set out in Schedule "A" hereto or such other form as is authorized from time to time by the Warrant Agent. Each Warrant Certificate shall be Authenticated on behalf of the Warrant Agent. Each Warrant Certificate shall be signed by any two duly authorized signatories of the Corporation; whose signature shall appear on the Warrant Certificate and may be printed, lithographed or otherwise mechanically reproduced thereon (including by way of facsimile signature or signature in Portable Document Format (PDF)) and, in such event, certificates so signed are as valid and binding upon the Corporation as if it had been signed manually. Any Warrant Certificate which has two signatures as hereinbefore provided shall be valid notwithstanding that one or more of the persons whose signature is so printed, lithographed or mechanically reproduced no longer holds office at the date of issuance of such certificate. The Warrant Certificates may be engraved, printed or lithographed, or partly in one form and partly in another, as the Warrant Agent may determine.

(2) The Warrant Agent shall Authenticate Uncertificated Warrants (whether upon original issuance, exchange, registration of transfer, partial exercise, or otherwise) by completing its Internal Procedures and the Corporation shall, and hereby acknowledges that it shall, thereupon be deemed to have duly and validly issued such Uncertificated Warrants under this Indenture. Such Authentication shall be conclusive evidence that such Uncertificated Warrant has been duly issued hereunder and that the holder or holders are entitled to the benefits of this Indenture. The register shall be final and conclusive evidence as to all matters relating to Uncertificated Warrants with respect to which this Indenture requires the Warrant Agent to maintain records or accounts. In case of differences between the register at any time and any other time the register at the later time shall be controlling, absent manifest error and such Uncertificated Warrants are binding on the Corporation.

(3) Any Warrant Certificate validly issued in accordance with the terms of this Indenture in effect at the time of issue of such Warrant Certificate shall, subject to the terms of this Indenture and applicable law, validly entitle the holder to acquire Common Shares, notwithstanding that the form of such Warrant Certificate may not be in the form currently required by this Indenture.

(4) No Warrant shall be considered issued, valid or obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by the Warrant Agent. Authentication by the Warrant Agent, including by way of entry on the register, shall not be construed as a representation or warranty by the Warrant Agent as to the validity of this Indenture or of such Warrant Certificates or Uncertificated Warrants (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Warrant Agent shall in no respect be liable or answerable for the use made of the Warrants or any of them or of the consideration thereof. Authentication by the Warrant Agent shall be conclusive evidence as against the Corporation that the Warrants so Authenticated have been duly issued hereunder and that the holder thereof is entitled to the benefits of this Indenture.

(5) No Certificated Warrant shall be considered issued and Authenticated or, if Authenticated, shall be obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by signature by or on behalf of the Warrant Agent substantially in the form of the Warrant set out in Schedule "A" hereto. Such Authentication on any such Certificated Warrant shall be conclusive evidence that such Certificated Warrant is duly Authenticated and is valid and a binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture.

(6) No Uncertificated Warrant shall be considered issued and shall be obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by entry on the register of the particulars of the Uncertificated Warrant. Such entry on the register of the particulars of an Uncertificated Warrant shall be conclusive evidence that such Uncertificated Warrant is a valid and binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture.

(7) The Authentication by the Warrant Agent of any Warrants whether by way of entry on the register or otherwise shall not be construed as a representation or warranty by the Warrant Agent as to the validity of the Indenture or such Warrants (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Warrant Agent shall in no respect be liable or answerable for the use made of the Warrants or any of them or the proceeds thereof.

Section 2.8 Legends.

(1) Neither the Warrants nor the Common Shares issuable upon exercise of the Warrants have been or will be registered under the U.S. Securities Act or under any United States state securities laws, and may not be offered, sold or otherwise disposed of in the United States, or to or for the account or benefit of a U.S. Person or a person in the United States, unless an exemption from the registration requirements under the U.S. Securities Act and applicable state securities laws is available. Each Warrant Certificate originally issued for the benefit or account of a U.S. Warrantholder other than an Original QIB Purchaser, and each Warrant Certificate issued in exchange therefor or in substitution thereof, shall bear or be deemed to bear the following legends or such variations thereof as the Corporation may prescribe from time to time:

> "THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE HOLDING SUCH SECURITIES, AGREES FOR THE BENEFIT OF ALGERNON PHARMACEUTICALS INC. (THE "CORPORATION") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ALL LOCAL LAWS AND REGULATIONS, (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 OR (II) RULE 144A THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH 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 CLAUSE (C)(I) OR (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION TO SUCH EFFECT.

THIS WARRANT MAY NOT BE EXERCISED IN THE UNITED STATES OR BY OR FOR THE ACCOUNT OR BENEFIT OF A "U.S. PERSON" OR A PERSON IN THE UNITED STATES UNLESS THE WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE, OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED BY REGULATION S UNDER THE U.S. SECURITIES ACT.";

provided that, if the Warrants are being sold outside the United States in accordance with Rule 904 of Regulation S and in compliance with applicable local laws and regulations, and if the Corporation qualified as a "foreign issuer" (as defined in Rule 902 of Regulation S) at the time of issuance of the Warrants, this legend may be removed by the transferor providing a declaration to the Warrant Agent in the form set forth in Schedule "C" or as the Warrant Agent or the Corporation may prescribe from time to time, and if required by the Warrant Agent, including an opinion of counsel, of recognised standing in form and substance reasonably satisfactory to the Corporation and the Warrant Agent, that the proposed transfer may be effected without registration under the U.S. Securities Act; and provided, further, that, if any such securities are being sold pursuant to Rule 144 under the U.S. Securities Act, if available, or a transaction that does not require registration under the U.S. Securities Act or applicable state securities laws, the legend may be removed by delivery to the Warrant Agent and the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation and the Warrant Agent, to the effect that such legend is no longer required under applicable requirements of the U.S. Securities Act and applicable state securities laws.

The Warrant Agent shall be entitled to request any other documents that it may require in accordance with its internal policies for the removal of the legend set forth above.

(2) Each CDS Global Warrant originally issued in Canada and held by the Depository, and each CDS Global Warrant issued in exchange therefor or in substitution thereof shall bear or be deemed to bear the following legend or such variations thereof as the Corporation may prescribe from time to time:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO ALGERNON PHARMACEUTICALS INC. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO, OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE."

(3) Each Certificated Warrant and each CDS Global Warrant held by the Depository, if issued prior to the Qualification Date, (and each such Certificated Warrant or CDS Global Warrant, as the case may be, issued in exchange therefore or in substitution thereof) may bear or be deemed to bear the following legends or such variations thereof as the Corporation may prescribe from time to time:

"UNLESS PERMITTED UNDER THE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE SEPTEMBER 14, 2020.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE CANADIAN SECURITIES EXCHANGE ("CSE"); HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF CSE SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON CSE."

(4) Notwithstanding any other provisions of this Indenture, in processing and registering transfers of Warrants, no duty or responsibility whatsoever shall rest upon the Warrant Agent to determine the compliance by any transferor or transferee with the terms of the legend contained in subsections 2.8(1), 2.8(2), or 2.8(3), or with the relevant securities laws or regulations, including, without limitation, Regulation S, and the Warrant Agent shall be entitled to assume that all transfers are legal and proper.

Section 2.9 Register of Warrants

(1) The Warrant Agent shall maintain records and accounts concerning the Warrants, whether certificated or uncertificated, which shall contain the information called for below with respect to each Warrant, together with such other information as may be required by law or as the Warrant Agent may elect to record. All such information shall be kept in one set of accounts and records which the Warrant Agent shall designate (in such manner as shall permit it to be so identified as such by an unaffiliated party) as the register of the holders of Warrants. The information to be entered for each account in the register of Warrants at any time shall include (without limitation):

(a) the name and address of the holder of the Warrants, the date of Authentication thereof and the number of Warrants;

(b) whether such Warrant is a Certificated Warrant or an Uncertificated Warrant and, if a Warrant Certificate, the unique number or code assigned to and imprinted thereupon and, if an Uncertificated Warrant, the unique number or code assigned thereto if any;

(c) if any portion thereof has been exercised, the date and price of such exercise and the remaining balance of such Warrants;

(d) whether such Warrant has been cancelled; and

(e) a register of transfers in which all transfers of Warrants and the date and other particulars of each transfer shall be entered.

The register shall be available for inspection by the Corporation and or any Warrantholder during the Warrant Agent's regular business hours on a Business Day and upon payment to the Warrant Agent of its reasonable fees. Any Warrantholder exercising such right of inspection shall first provide an affidavit in form satisfactory to the Corporation and the Warrant Agent stating the name and address of the Warrantholder and agreeing not to use the information therein except in connection with an effort to call a meeting of Warrantholders or to influence the voting of Warrantholders at any meeting of Warrantholders.

(2) Once an Uncertificated Warrant has been Authenticated, the information set forth in the register with respect thereto at the time of Authentication may be altered, modified, amended, supplemented or otherwise changed only to reflect exercise or proper instructions to the Warrant Agent from the holder as provided herein, except that the Warrant Agent may act unilaterally to make purely administrative changes internal to the Warrant Agent and changes to correct errors. Each person who becomes a holder of an Uncertificated Warrant, by his, her or its acquisition thereof shall be deemed to have irrevocably (i) consented to the foregoing authority of the Warrant Agent to make such minor error corrections and (ii) agreed to pay to the Warrant Agent, promptly upon written demand, the full amount of all loss and expense (including without limitation reasonable legal fees of the Corporation and the Warrant Agent plus interest, at an appropriate then prevailing rate of interest to the Warrant Agent), sustained by the Corporation or the Warrant Agent as a proximate result of such error if but only if and only to the extent that such present or former holder realized any benefit as a result of such error and could reasonably have prevented, forestalled or minimized such loss and expense by prompt reporting of the error or avoidance of accepting benefits thereof whether or not such error is or should have been timely detected and corrected by the Warrant Agent; provided, that no person who is a bona fide purchaser shall have any such obligation to the Corporation or to the Warrant Agent.

Section 2.10 Issue in Substitution for Warrant Certificates Lost, etc.

(1) If any Warrant Certificate becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to applicable law, shall issue and thereupon the Warrant Agent shall certify and deliver, a new Warrant Certificate of like tenor, and bearing the same legend, if applicable, as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the substituted Warrant Certificate shall be in a form approved by the Warrant Agent and the Warrants evidenced thereby shall be entitled to the benefits hereof and shall rank equally in accordance with its terms with all other Warrants issued or to be issued hereunder.

(2) The applicant for the issue of a new Warrant Certificate pursuant to this Section 2.10 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issuance thereof, furnish to the Corporation and to the Warrant Agent such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation and to the Warrant Agent, in their sole discretion, and such applicant shall also be required to furnish an indemnity and surety bond in amount and form satisfactory to the Corporation and the Warrant Agent, in their sole discretion but acting reasonably, and shall pay the reasonable charges of the Corporation and the Warrant Agent in connection therewith.

Section 2.11 Exchange of Warrant Certificates.

(1) Any one or more Warrant Certificates representing any number of Warrants may, upon compliance with the reasonable requirements of the Warrant Agent (including compliance with applicable securities legislation), be exchanged for one or more other Warrant Certificates representing the same aggregate number of Warrants, and bearing the same legend(s), if applicable, as represented by the Warrant Certificate or Warrant Certificates so exchanged.

(2) Warrant Certificates may be exchanged only at the Warrant Agency or at any other place that is designated by the Corporation with the approval of the Warrant Agent. Any Warrant Certificate from the holder (or such other instructions, in form satisfactory to the Warrant Agent), tendered for exchange shall be surrendered to the Warrant Agency and cancelled by the Warrant Agent.

(3) Warrant Certificates exchanged for Warrant Certificates that bear the legend set forth in Section 2.8(1) shall bear the same legend.

Section 2.12 Transfer and Ownership of Warrants.

(1) The Warrants may only be transferred on the register kept by the Warrant Agent at the Warrant Agency by the holder or its legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Warrant Agent only upon (a) in the case of a Warrant Certificate, surrendering to the Warrant Agent at the Warrant Agency the Warrant Certificates representing the Warrants to be transferred together with a duly executed transfer form as set forth in Schedule "A" and (b) in the case of Book Entry Only Warrants, in accordance with procedures prescribed by the Depository under the book entry registration system, and (c) upon compliance with:

(i) the conditions herein;

(ii) such reasonable requirements as the Warrant Agent may prescribe; and

(iii) all applicable securities legislation and requirements of regulatory authorities;

and such transfer shall be duly noted in such register by the Warrant Agent. Upon compliance with such requirements, the Warrant Agent shall issue to the transferee of a Warrant Certificate, or the Warrant Agent shall Authenticate and deliver a Warrant Certificate upon request that part of the CDS Global Warrant be certificated. Transfers of CDS Global Warrants within the systems of the Depository are not the responsibility of the Warrant Agent and will not be noted on the register maintained by the Warrant Agent.

(2) If a Warrant Certificate tendered for transfer bears the legend set forth in Section 2.8(1), the Warrant Agent shall not register such transfer unless the transferor has provided the Warrant Agent with the Warrant Certificate and (A) the transfer is made to the Corporation, (B) the transfer is made outside of the United States in a transaction meeting the requirements of Rule 904 of Regulation S and in compliance with applicable local laws and regulations, and if the Corporation qualified as a foreign issuer" (as defined in Rule 902 of Regulation S) at the time of issuance of the Warrants, and the transferor delivers to the Warrant Agent a declaration substantially in the form set forth in Schedule "C" to this Warrant Indenture, or in such other form as the Warrant Agent or the Corporation may from time to time prescribe, together with such other evidence of the availability of an exemption (which may, without limitation, include an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation and the Warrant Agent) as the Warrant Agent may reasonably require, (C) the transfer is made pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by (i) Rule 144 thereunder, if available, or (ii) Rule 144A thereunder, if available, and in each case in accordance with any applicable state securities or "blue sky" laws, or (D) the transfer is made in another transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws; provided that it has prior to any transfer pursuant to Sections 2.12(2)(C)(i) or 2.12(2)(D) furnished to the Warrant Agent and the Corporation an opinion of counsel in form and substance reasonably satisfactory to the Corporation and the Warrant Agent, to such effect. In relation to a transfer under (C)(i) or (D) above, unless the Corporation and the Warrant Agent receive an opinion of counsel of recognized standing reasonably satisfactory to the Corporation and Warrant Agent in form and substance to the effect that the U.S. restrictive legend set forth in subsection 2.8(1) is no longer required on the Warrant Certificates representing the transferred Warrants, the Warrant Certificates received by the transferee will continue to bear the legend set forth in Section 2.8(1).

(3) Subject to the provisions of this Indenture, Applicable Legislation and applicable law, the Warrantholder shall be entitled to the rights and privileges attaching to the Warrants, and the issue of Common Shares by the Corporation upon the exercise of Warrants in accordance with the terms and conditions herein contained shall discharge all responsibilities of the Corporation and the Warrant Agent with respect to such Warrants and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder.

Section 2.13 Cancellation of Surrendered Warrants.

All Warrant Certificates surrendered pursuant to Section 2.11(1), Section 2.12(1) or Article 3 shall be cancelled by the Warrant Agent and upon such circumstances all Warrants represented by such surrendered certificates shall be deemed cancelled and so noted on the register by the Warrant Agent. Upon request by the Corporation, the Warrant Agent shall furnish to the Corporation a cancellation certificate identifying the Warrant Certificates so cancelled, the number of Warrants evidenced thereby, the number of Common Shares, if any, issued pursuant to such Warrants and the details of any Warrant Certificates issued in substitution or exchange for such Warrant Certificates cancelled.

ARTICLE 3
EXERCISE OF WARRANTS

Section 3.1 Right of Exercise.

Subject to the provisions hereof, each Registered Warrantholder may exercise the right conferred on such holder to subscribe for and purchase one Common Share for each Warrant after the Issue Date and prior to the Expiry Time, subject to adjustments, and in accordance with the conditions herein.

Section 3.2 Warrant Exercise.

(1) Registered Warrantholders of Warrant Certificates who wish to exercise the Warrants held by them in order to acquire Common Shares must complete the exercise form (the "**Exercise Notice**") attached to the Warrant Certificate(s) which form is attached hereto as Schedule "B", which may be amended by the Corporation with the consent of the Warrant Agent, if such amendment does not, in the reasonable opinion of the Corporation and the Warrant Agent, which may be based on the advice of Counsel, materially and adversely affect the rights, entitlements and interests of the Warrantholders, and deliver such certificate(s), the executed Exercise Notice and a certified cheque, bank draft or money order payable to or to the order of the Corporation for the aggregate Exercise Price to the Warrant Agent at the Warrant Agency. The Warrants represented by a Warrant Certificate shall be deemed to be surrendered upon personal delivery of such certificate, Exercise Notice and aggregate Exercise Price or, if such documents are sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent at the office referred to above.

(2) In addition to completing the Exercise Notice attached to the Warrant Certificate(s), a Warrantholder (except for an Original QIB Purchaser exercising Warrants pursuant to Section 3.2(4)) who is a person in the United States, a U.S. Person, a person exercising for the account or benefit of a U.S. Person or a person in the United States, or a person requesting delivery of the Common Shares issuable upon exercise of the Warrants in the United States, must (a) provide a completed and executed U.S. Warrantholder Letter or (b) an opinion of counsel of recognised standing in form and substance reasonably satisfactory to the Corporation and the Warrant Agent that the exercise is exempt from the registration requirements of the U.S. Securities Act and applicable securities laws of any state of the United States; *provided however* that, for greater certainty, in the case of a Warrantholder that is an Original QIB Purchaser, such Warrantholder will not be required to deliver a U.S. Purchaser Letter or an opinion of counsel in connection with the due exercise of the Warrants at a time when the representations, warranties and covenants made by the Warrantholder in the U.S. QIB Certificate remain true and correct at the time of exercise and the Warrantholder represents to the Corporation as such.

(3) A Registered Warrantholder of Uncertificated Warrants evidenced by a security entitlement in respect of Warrants must complete the Exercise Notice and deliver the executed Exercise Notice and a certified cheque, bank draft or money order payable to or to the order of the Corporation for the aggregate Exercise Price to the Warrant Agent at the Warrant Agency. The Uncertificated Warrants shall be deemed to be surrendered upon receipt of the Exercise Notice and aggregate Exercise Price or, if such documents are sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent at the office referred to above.

(5) A beneficial owner of Uncertificated Warrants evidenced by a security entitlement in respect of Warrants in the book entry registration system who desires to exercise his or her Warrants must do so by causing a Book Entry Only Participant to deliver to the Depository on behalf of the entitlement holder, notice of the owner's intention to exercise Warrants in a manner acceptable to the Depository. Forthwith upon receipt by the Depository of such notice, as well as payment for the aggregate Exercise Price, the Depository shall deliver to the Warrant Agent confirmation of its intention to exercise Warrants (a " **Confirmation**") in a manner acceptable to the Warrant Agent, including by electronic means through a book based registration system, including CDSX. An electronic exercise of the Warrants initiated by the Book Entry Only Participant through a book based registration system, including CDSX, shall constitute a representation to both the Corporation and the Warrant Agent that the beneficial owner at the time of exercise of such Warrants: (a)(i) is not in the United States; (ii) is not a U.S. Person and is not exercising such Warrants for the account or benefit of a U.S. Person or a person in the United States; (iii) did not acquire the Warrants in the United States or for the account or benefit of a U.S. Person or a person in the United States; (iv) did not receive an offer to exercise the Warrant in the United States; (v) did not execute or deliver the notice of the owner's intention to exercise such Warrants in the United States; and (vi) has, in all other respects, complied with the terms of Regulation S in connection with such exercise; or (b) is an Original QIB Purchaser, and the representations, warranties and covenants made by it in the U.S. QIB Certificate remain true and correct at the time of exercise. If the CDS Participant is not able to make or deliver the foregoing representation by initiating the electronic exercise of the Warrants, then such Warrants shall be withdrawn from the book based registration system, including CDSX by the CDS Participant and an individually registered Warrant Certificate shall be issued by the Warrant Agent to such Beneficial Owner or CDS Participant and the exercise procedures set forth in Section 3.2(1) shall be followed.

(6) Payment representing the aggregate Exercise Price must be provided to the appropriate office of the Book Entry Only Participant in a manner acceptable to it. A notice in form acceptable to the Book Entry Only Participant and payment from such beneficial holder should be provided to the Book Entry Only Participant sufficiently in advance so as to permit the Book Entry Only Participant to deliver notice and payment to the Depository and for the Depository in turn to deliver notice and payment to the Warrant Agent prior to the Expiry Time. The Depository will initiate the exercise by way of the Confirmation and forward the aggregate Exercise Price electronically to the Warrant Agent and the Warrant Agent will execute the exercise by issuing to the Depository through the book entry registration system the Common Shares to which the exercising Warrantholder is entitled pursuant to the exercise. Any expense associated with the exercise process will be for the account of the Corporation.

(7) By causing a Book Entry Only Participant to deliver notice to the Depository, a Warrantholder shall be deemed to have irrevocably surrendered his or her Warrants so exercised and appointed such Book Entry Only Participant to act as his or her exclusive settlement agent with respect to the exercise and the receipt of Common Shares in connection with the obligations arising from such exercise.

(8) Any notice which the Depository determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the exercise to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a Book Entry Only Participant to exercise or to give effect to the settlement thereof in accordance with the Warrantholder's instructions will not give rise to any obligations or liability on the part of the Corporation or Warrant Agent to the Book Entry Only Participant or the Warrantholder.

(9) Any exercise form or Exercise Notice referred to in this Section 3.2 shall be signed by the Registered Warrantholder, or its executors or administrators or other legal representatives or an attorney of the Registered Warrantholder, duly appointed by an instrument in writing satisfactory to the Warrant Agent but such exercise form need not be executed by the Depository.

(10) Any exercise referred to in this Section 3.2 shall require that the entire Exercise Price for Common Shares subscribed must be paid at the time of subscription and such Exercise Price and original Exercise Notice executed by the Registered Warrantholder or the Confirmation from the Depository must be received by the Warrant Agent prior to the Expiry Time.

(11) Warrants may only be exercised pursuant to this Section 3.2 by or on behalf of a Registered Warrantholder (other than the Depository), as applicable, who makes the certifications set forth on the Exercise Notice set out in Schedule "B" or as provided herein.

(12) If the form of Exercise Notice set forth in the Warrant Certificate shall have been amended, the Corporation shall cause the amended Exercise Notice to be forwarded to all Registered Warrantholders.

(13) Exercise Notices and Confirmations must be delivered to the Warrant Agent at any time during the Warrant Agent's actual business hours on any Business Day prior to the Expiry Time. Any Exercise Notice or Confirmations received by the Warrant Agent after business hours on any Business Day other than the Expiry Date will be deemed to have been received by the Warrant Agent on the next following Business Day.

(14) Any Warrant with respect to which a Confirmation is not received by the Warrant Agent before the Expiry Time shall be deemed to have expired and become void and all rights with respect to such Warrants shall terminate and be cancelled.

Section 3.3 U.S. Prohibition on Exercise; Legended Certificates

(1) The Warrants and the Common Shares issuable upon exercise thereof have not been and will not be registered under the U.S. Securities Act or any state securities laws, and the Warrants may not be exercised by, or for the account or benefit of, a U.S. Person or a person in the United States unless an exemption from such registration requirements is available.

(2) Warrants may not be exercised except in compliance with the requirements set forth herein, in the Warrant Certificate and in the Exercise Notice attached thereto.

(3) Certificates representing Common Shares issued upon the exercise of Warrants which bear the legend set forth in 2.8(1) and other than pursuant to Box A of the Exercise Form attached as Schedule "B" hereto, shall upon such issuance bear the following legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE HOLDING SUCH SECURITIES, AGREES FOR THE BENEFIT OF ALGERNON PHARMACEUTICALS INC. (THE "CORPORATION") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ALL LOCAL LAWS AND REGULATIONS; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 OR (II) RULE 144A THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH 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 CLAUSE (C)(I) OR (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION 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."

Section 3.4 Transfer Fees and Taxes.

If any of the Common Shares subscribed for are to be issued to a person or persons other than the Registered Warrantholder, the Registered Warrantholder shall execute the form of transfer and will comply with such reasonable requirements as the Warrant Agent may stipulate and will pay to the Corporation or the Warrant Agent on behalf of the Corporation, all applicable transfer or similar taxes and the Corporation will not be required to issue or deliver certificates evidencing Common Shares unless or until such Warrantholder shall have paid to the Corporation or the Warrant Agent on behalf of the Corporation, the amount of such tax or shall have established to the satisfaction of the Corporation and the Warrant Agent that such tax has been paid or that no tax is due.

Section 3.5 Warrant Agency.

To facilitate the exchange, transfer or exercise of Warrants and compliance with such other terms and conditions hereof as may be required, the Corporation has appointed the Warrant Agency, as the agency at which Warrants may be surrendered for exchange or transfer or at which Warrants may be exercised and the Warrant Agent has accepted such appointment. The Corporation may from time to time designate alternate or additional places as the Warrant Agency (subject to the Warrant Agent's prior approval) and will give notice to the Warrant Agent of any proposed change of the Warrant Agency. Branch registers shall also be kept at such other place or places, if any, as the Corporation, with the approval of the Warrant Agent, may designate. The Warrant Agent will from time to time when requested to do so by the Corporation or any Registered Warrantholder, upon payment of the Warrant Agent's reasonable charges, furnish a list of the names and addresses of Registered Warrantholders showing the number of Warrants held by each such Registered Warrantholder.

Section 3.6 Effect of Exercise of Warrant Certificates.

(1) Upon the exercise of Warrants pursuant to and in compliance with Section 3.2 and subject to Section 3.3 and Section 3.4, the Common Shares to be issued pursuant to the Warrants exercised shall be deemed to have been issued and the person or persons to whom such Common Shares are to be issued shall be deemed to have become the holder or holders of such Common Shares within three Business Days of the Exercise Date unless the Common Share register shall be closed on such date, in which case the Common Shares subscribed for shall be deemed to have been issued and such person or persons deemed to have become the holder or holders of record of such Common Shares, on the date on which such register is reopened. It is hereby understood that in order for persons to whom Common Shares are to be issued, to become holders of Common Shares on record on the Exercise Date, beneficial holders must commence the exercise process sufficiently in advance so that the Warrant Agent is in receipt of all items of exercise at least one Business Day prior to such Exercise Date.

(2) Within three Business Days after the Exercise Date with respect to a Warrant, the Warrant Agent shall cause to be delivered or mailed to the person or persons in whose name or names the Warrant is registered or, if so specified in writing by the holder, cause to be delivered to such person or persons at the Warrant Agency where the Warrant Certificate was surrendered, a certificate or certificates for the appropriate number of Common Shares subscribed for, or any other appropriate evidence of the issuance of Common Shares to such person or persons in respect of Common Shares issued under the book entry registration system.

Section 3.7 Partial Exercise of Warrants; Fractions.

(1) The holder of any Warrants may exercise his, her or its right to acquire a number of whole Common Shares less than the aggregate number which the holder is entitled to acquire. In the event of any exercise of a number of Warrants less than the number which the holder is entitled to exercise, the holder of Warrants upon such exercise shall, in addition, be entitled to receive, without charge therefor, a new Warrant Certificate(s), bearing the same legend, if applicable, or other appropriate evidence of Warrants, in respect of the balance of the Warrants held by such holder and which were not then exercised.

(2) Notwithstanding anything herein contained including any adjustment provided for in Section 4.1, the Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares. Warrants may only be exercised in a sufficient number to acquire whole numbers of Common Shares.

Section 3.8 Expiration of Warrants.

Immediately after the Expiry Time, all rights under any Warrant in respect of which the right of acquisition provided for herein shall not have been exercised shall cease and terminate and each Warrant shall be void and of no further force or effect.

Section 3.9 Accounting and Recording.

(1) The Warrant Agent shall promptly account to the Corporation with respect to Warrants exercised, and shall promptly forward to the Corporation (or into an account or accounts of the Corporation with the bank or trust company designated by the Corporation for that purpose), all monies received by the Warrant Agent on the subscription of Common Shares through the exercise of Warrants. All such monies and any securities or other instruments, from time to time received by the Warrant Agent, shall be received in trust for, and shall be segregated and kept apart by the Warrant Agent for the benefit of the Warrantholders and the Corporation as their interests may appear.

(2) The Warrant Agent shall record the particulars of Warrants exercised, which particulars shall include the names and addresses of the persons who become holders of Common Shares on exercise and the Exercise Date, in respect thereof. The Warrant Agent shall provide such particulars in writing to the Corporation within five Business Days of any request by the Corporation therefor.

Section 3.10 Securities Restrictions.

Notwithstanding anything herein contained, Common Shares will be issued upon exercise of a Warrant only in compliance with the securities laws of any applicable jurisdiction.

Section 3.11 Share Certificates.

Certificates representing Common Shares issued before the Qualification Date to Warrantholders upon the exercise of Warrants (including additional Common Shares issuable pursuant to the Penalty Provisions) pursuant to Section 3.2 will bear the following legends:

"UNLESS PERMITTED UNDER THE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY UNTIL SEPTEMBER 14, 2020.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE CANADIAN SECURITIES EXCHANGE ("CSE"); HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF CSE SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON CSE."

ARTICLE 4
ADJUSTMENT OF NUMBER OF COMMON SHARES AND EXERCISE PRICE

Section 4.1 Adjustment of Number of Common Shares and Exercise Price.

The subscription rights in effect under the Warrants for Common Shares issuable upon the exercise of the Warrants shall be subject to adjustment from time to time as follows:

(a) if, at any time during the Adjustment Period, the Corporation shall:

(i) subdivide, re-divide or change its outstanding Common Shares into a greater number of Common Shares;

(ii) reduce, combine or consolidate its outstanding Common Shares into a lesser number of Common Shares; or

(iii) issue Common Shares or securities exchangeable for, or convertible into, Common Shares to all or substantially all of the holders of Common Shares by way of stock dividend or other distribution (other than a distribution of Common Shares upon the exercise of Warrants or any outstanding options);

(any of such events in Section 4.1(a) (i), (ii) or (iii) being called a "**Common Share Reorganization**") then the Exercise Price shall be adjusted as of the effect on the effective date or record date of such subdivision, re-division, change, reduction, combination, consolidation or distribution, as the case may be, shall in the case of the events referred to in (i) or (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, re-division, change or distribution, or shall, in the case of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation by multiplying the Exercise Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such effective date or record date before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding as of the effective date or record date after giving effect to such Common Shares Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Share that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date or effective date). Such adjustment shall be made successively whenever any event referred to in this Section 4.1(a) shall occur. Upon any adjustment of the Exercise Price pursuant to Section 4.1(a), the Exchange Rate shall be contemporaneously adjusted by multiplying the number of Common Shares theretofore obtainable on the exercise thereof by a fraction of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment;

(b) if and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common Shares) at a price per Common Share (or having a conversion or exchange price per Common Share) less than 95% of the Current Market Price on such record date (a "**Rights Offering**"), the Exercise Price shall be adjusted immediately after such record date so that it shall equal the amount determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by the Current Market Price, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase or into which the convertible or exchangeable securities so offered are convertible or exchangeable; any Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that no such rights or warrants are exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or, if any such rights or warrants are exercised, to the Exercise Price which would then be in effect based upon the number of Common Shares (or securities convertible or exchangeable into Common Shares) actually issued upon the exercise of such rights or warrants, as the case may be. Upon any adjustment of the Exercise Price pursuant to this Section 4.1(b), the Exchange Rate will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exchange Rate in effect on such record date by a fraction, of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment. Such adjustment will be made successively whenever such a record date is fixed, provided that if two or more such record dates or record dates referred to in this Section 4.1(b) are fixed within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates;

(c) if and whenever at any time during the Adjustment Period the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) securities of any class, whether of the Corporation or any other trust (other than Common Shares), (ii) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), other than pursuant to a Rights Offering; (iii) evidences of its indebtedness or (iv) any property or other assets then, in each such case, the Exercise Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price on such record date, less the excess, if any, of the fair market value on such record date, as determined by the Corporation (whose determination shall be conclusive, absent manifest error), of such securities or other assets so issued or distributed over the fair market value of any consideration received therefor by the Corporation from the holders of the Common Shares, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price; and Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that such distribution is not so made, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed. Upon any adjustment of the Exercise Price pursuant to this Section 4.1(c), the Exchange Rate will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exchange Rate in effect on such record date by a fraction, of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment;

(d) if and whenever at any time during the Adjustment Period, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 4.1(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other body corporate, trust, partnership or other entity, or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity, any Registered Warrantholder who has not exercised its right of acquisition of Common Shares prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance, upon the exercise of such right thereafter, shall be entitled to receive upon payment of the Exercise Price and shall accept, in lieu of the number of Common Shares that prior to such effective date the Registered Warrantholder would have been entitled to receive, the number of shares or other securities or property of the Corporation or of the body corporate, trust, partnership or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made, as the case may be, that such Registered Warrantholder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance, if, on the effective date thereof, as the case may be, the Registered Warrantholder had been the registered holder of the number of Common Shares to which prior to such effective date it was entitled to acquire upon the exercise of the Warrants. If determined appropriate by the Warrant Agent, relying on advice of Counsel, to give effect to or to evidence the provisions of this Section 4.1(d), the Corporation, its successor, or such purchasing body corporate, partnership, trust or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Registered Warrantholders to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares, other securities or property to which a Registered Warrantholder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Warrant Agent pursuant to the provisions of this Section 4.1(d) shall be a supplemental indenture entered into pursuant to the provisions of Article 8 hereof. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing body corporate, partnership, trust or other entity and the Warrant Agent shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.1 and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances;

(e) in any case in which this Section 4.1 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Registered Warrantholder of any Warrant exercised after the record date and prior to completion of such event the additional Common Shares issuable by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such Registered Warrantholder an appropriate instrument evidencing such Registered Warrantholder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the relevant date of exercise or such later date as such Registered Warrantholder would, but for the provisions of this Section 4.1(e), have become the holder of record of such additional Common Shares pursuant to Section 4.1;

(f) in any case in which Section 4.1(a)(iii), Section 4.1(b) or Section 4.1(c) require that an adjustment be made to the Exercise Price, no such adjustment shall be made if the Registered Warrantholders of the outstanding Warrants receive, subject to any required stock exchange or regulatory approval, the rights or warrants referred to in Section 4.1(a)(iii), Section 4.1(b) or the shares, rights, options, warrants, evidences of indebtedness or assets referred to in Section 4.1(c), as the case may be, in such kind and number as they would have received if they had been holders of Common Shares on the applicable record date or effective date, as the case may be, by virtue of their outstanding Warrant having then been exercised into Common Shares at the Exercise Price in effect on the applicable record date or effective date, as the case may be;

(g) the adjustments provided for in this Section 4.1 are cumulative, and shall, in the case of adjustments to the Exercise Price be computed to the nearest whole cent and shall apply to successive subdivisions, re-divisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section 4.1, provided that, notwithstanding any other provision of this Section, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price then in effect; provided, however, that any adjustments which by reason of this Section 4.1(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and

(h) after any adjustment pursuant to this Section 4.1, the term "**Common Shares**" where used in this Indenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, the Registered Warrantholder is entitled to receive upon the exercise of his, her or its Warrant, and the number of Common Shares indicated by any exercise made pursuant to a Warrant shall be interpreted to mean the number of Common Shares or other property or securities a Registered Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, upon the full exercise of a Warrant.

Section 4.2 Entitlement to Common Shares on Exercise of Warrant.

All Common Shares or shares of any class or other securities, which a Registered Warrantholder is at the time in question entitled to receive on the exercise of its Warrant, whether or not as a result of adjustments made pursuant to this Article 4, shall, for the purposes of the interpretation of this Indenture, be deemed to be Common Shares which such Registered Warrantholder is entitled to acquire pursuant to such Warrant.

Section 4.3 No Adjustment for Certain Transactions.

Notwithstanding anything in this Article 4, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares is being made pursuant to this Indenture or in connection with (a) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Corporation; or (b) the satisfaction of existing instruments issued at the date hereof.

Section 4.4 Determination by Independent Firm.

In the event of any question arising with respect to the adjustments provided for in this Article 4 such question shall be conclusively determined by an independent firm of chartered accountants other than the Auditors, who shall have access to all necessary records of the Corporation, and such determination shall be binding upon the Corporation, the Warrant Agent, all holders and all other persons interested therein.

Section 4.5 Proceedings Prior to any Action Requiring Adjustment.

As a condition precedent to the taking of any action which would require an adjustment in any of the acquisition rights pursuant to any of the Warrants, including the number of Common Shares which are to be received upon the exercise thereof, the Corporation shall take any action which may, in the opinion of Counsel, be necessary in order that the Corporation has unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the Common Shares which the holders of such Warrants are entitled to receive on the full exercise thereof in accordance with the provisions hereof.

Section 4.6 Certificate of Adjustment.

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.1, deliver a certificate of the Corporation to the Warrant Agent specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate shall be supported by a certificate of the Corporation's Auditors verifying such calculation. The Warrant Agent shall rely, and shall be protected in so doing, upon the certificate of the Corporation or of the Corporation's Auditor and any other document filed by the Corporation pursuant to this Article 4 for all purposes.

Section 4.7 Notice of Special Matters.

The Corporation covenants with the Warrant Agent that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the Registered Warrantholders of its intention to fix a record date that is prior to the Expiry Date for any matter for which an adjustment may be required pursuant to Section 4.1 Such notice shall specify the particulars of such event and the record date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The notice shall be given in each case not less than 14 days prior to such applicable record date. If notice has been given and the adjustment is not then determinable, the Corporation shall promptly, after the adjustment is determinable, file with the Warrant Agent a computation of the adjustment and give notice to the Registered Warrantholders of such adjustment computation.

Section 4.8 No Action after Notice.

The Corporation covenants with the Warrant Agent that it will not close its transfer books or take any other corporate action which might deprive the Registered Warrantholder of the opportunity to exercise its right of acquisition pursuant thereto during the period of 14 days after the giving of the certificate or notices set forth in Section 4.6 and Section 4.7.

Section 4.9 Other Action.

If the Corporation, after the date hereof, shall take any action affecting the Common Shares other than action described in Section 4.1, which in the reasonable opinion of the directors of the Corporation would materially affect the rights of Registered Warrantholders, the Exercise Price and/or Exchange Rate, the number of Common Shares which may be acquired upon exercise of the Warrants shall be adjusted in such manner and at such time, by action of the directors, acting reasonably and in good faith, in their sole discretion as they may determine to be equitable to the Registered Warrantholders in the circumstances, provided that no such adjustment will be made unless any requisite prior approval of any stock exchange on which the Common Shares are listed for trading has been obtained.

Section 4.10 Protection of Warrant Agent.

The Warrant Agent shall not:

(a) at any time be under any duty or responsibility to any Registered Warrantholder to determine whether any facts exist which may require any adjustment contemplated by Section 4.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Warrant;

(c) be responsible for any failure of the Corporation to issue, transfer or deliver Common Shares or certificates for the same upon the surrender of any Warrants for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Article; and

(d) incur any liability or be in any way responsible for the consequences of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained or of any acts of the directors, officers, employees, agents or servants of the Corporation.

Section 4.11 Participation by Warrantholder.

No adjustments shall be made pursuant to this Article 4 if the Registered Warrantholders are entitled to participate in any event described in this Article 4 on the same terms, mutatis mutandis, as if the Registered Warrantholders had exercised their Warrants prior to, or on the effective date or record date of, such event.

ARTICLE 5
RIGHTS OF THE CORPORATION AND COVENANTS

Section 5.1 Optional Purchases by the Corporation.

Subject to compliance with applicable securities legislation and approval of applicable regulatory authorities, if any, the Corporation may from time to time purchase by private contract or otherwise any of the Warrants. Any such purchase shall be made at the lowest price or prices at which, in the opinion of the directors, such Warrants are then obtainable, plus reasonable costs of purchase, and may be made in such manner, from such persons and on such other terms as the Corporation, in its sole discretion, may determine. In the case of Certificated Warrants, Warrant Certificates representing the Warrants purchased pursuant to this Section 5.1 shall forthwith be delivered to and cancelled by the Warrant Agent and reflected accordingly on the register of Warrants. In the case of Uncertificated Warrants, the Warrants purchased pursuant to this Section 5.1 shall be reflected accordingly on the register of Warrants and in accordance with procedures prescribed by the Depository under the book entry registration system. No Warrants shall be issued in replacement thereof.

Section 5.2 General Covenants.

The Corporation covenants with the Warrant Agent that so long as any Warrants remain outstanding:

(a) it will reserve and keep available a sufficient number of Common Shares for the purpose of enabling it to satisfy its obligations to issue Common Shares upon the exercise of the Warrants (including additional Common Shares issuable pursuant to the Penalty Provisions) ;

(b) it will cause the Common Shares from time to time acquired pursuant to the exercise of the Warrants (including additional Common Shares issuable pursuant to the Penalty Provisions) to be duly issued and delivered in accordance with the Warrants and the terms hereof;

(c) upon payment of the aggregate Exercise Price therefor, all Common Shares (including additional Common Shares issuable pursuant to the Penalty Provisions) which shall be issued upon exercise of the right to acquire provided for herein shall be fully paid and non-assessable;

(d) it will use reasonable commercial efforts to maintain its existence and carry on its business in the ordinary course;

(e) it will use reasonable commercial efforts to ensure that all Common Shares outstanding or issuable from time to time (including without limitation the Common Shares issuable on the exercise of the Warrants and any additional Common Shares issuable pursuant to the Penalty Provisions) continue to be or are listed and posted for trading on the CSE for a period of 24 months following the Issue Date, provided that this clause shall not be construed as limiting or restricting the Corporation from completing a consolidation, amalgamation, arrangement, takeover bid, merger or like transaction that would result in the Common Shares ceasing to be listed and posted for trading on the CSE, so long as the holders of Common Shares receive securities of an entity which is listed on a stock exchange in Canada, or cash, or the holders of the Common shares have approved the transaction in accordance with the requirements of applicable corporate and securities laws and the policies of the CSE;

(f) it will make all requisite filings under applicable Canadian securities legislation including those necessary to remain a reporting issuer not in default in each of the provinces and other Canadian jurisdictions where it is or becomes a reporting issuer for a period of 24 months after the Issue Date;

(g) generally, it will well and truly perform and carry out all of the acts or things to be done by it as provided in this Indenture; and

(h) the Corporation will promptly notify the Warrant Agent and the Warrantholders in writing of any default under the terms of this Warrant Indenture which remains unrectified for more than five days following its occurrence.

Section 5.3 Warrant Agent's Remuneration and Expenses.

The Corporation covenants that it will pay to the Warrant Agent from time to time reasonable remuneration for its services hereunder and will pay or reimburse the Warrant Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Warrant Agent in the administration or execution of the trusts hereby created (including the reasonable compensation and the disbursements of its Counsel and all other advisers and assistants not regularly in its employ) both before any default hereunder and thereafter until all duties of the Warrant Agent hereunder shall be finally and fully performed, except any such expense, disbursement or advance as may arise out of or result from the Warrant Agent's gross negligence, willful misconduct or bad faith. Any amount owing hereunder and remaining unpaid after 30 days from the invoice date will bear interest at the then current rate charged by the Warrant Agent against unpaid invoices and shall be payable upon demand. This Section shall survive the resignation or removal of the Warrant Agent and/or the termination of this Indenture.

Section 5.4 Performance of Covenants by Warrant Agent.

If the Corporation shall fail to perform any of its covenants contained in this Indenture, then the Corporation will notify the Warrant Agent in writing of such failure and upon receipt by the Warrant Agent of such notice, the Warrant Agent may notify the Registered Warrantholders of such failure on the part of the Corporation and may itself perform any of the covenants capable of being performed by it but, subject to Section 9.2, shall be under no obligation to perform said covenants or to notify the Registered Warrantholders of such performance by it. All sums expended or advanced by the Warrant Agent in so doing shall be repayable as provided in Section 5.3. No such performance, expenditure or advance by the Warrant Agent shall relieve the Corporation of any default hereunder or of its continuing obligations under the covenants herein contained.

Section 5.5 Enforceability of Warrants.

The Corporation covenants and agrees that it is duly authorized to create and issue the Warrants to be issued hereunder and that the Warrants, when issued and Authenticated as herein provided, will be legal, valid, binding and enforceable against the Corporation in accordance with the provisions hereof and the terms hereof and that, subject to the provisions of this Indenture, the Corporation will cause the Common Shares from time to time acquired upon exercise of Warrants issued under this Indenture to be duly issued and delivered in accordance with the terms of this Indenture.

ARTICLE 6
ENFORCEMENT

Section 6.1 Suits by Registered Warrantholders.

All or any of the rights conferred upon any Registered Warrantholder by any of the terms of this Indenture may be enforced by the Registered Warrantholder by appropriate proceedings but without prejudice to the right which is hereby conferred upon the Warrant Agent to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Registered Warrantholders.

Section 6.2 Suits by the Corporation.

The Corporation shall have the right to enforce full payment of the Exercise Price of all Common Shares issued by the Warrant Agent to a Registered Warrantholder hereunder and shall be entitled to demand such payment from the Registered Warrantholder or alternatively to instruct the Warrant Agent to cancel the share certificates and amend the securities register accordingly.

Section 6.3 Immunity of Shareholders, etc.

The Warrant Agent and the Warrantholders hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any incorporator or any past, present or future shareholder, trustee, employee or agent of the Corporation or any successor entity on any covenant, agreement, representation or warranty by the Corporation herein.

Section 6.4 Waiver of Default.

Upon the happening of any default hereunder:

(a) the Registered Warrantholders of not less than 51% of the Warrants then outstanding shall have power (in addition to the powers exercisable by Extraordinary Resolution) by requisition in writing to instruct the Warrant Agent to waive any default hereunder and the Warrant Agent shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or

(b) the Warrant Agent shall have power to waive any default hereunder upon such terms and conditions as the Warrant Agent may deem advisable, on the advice of Counsel, if, in the Warrant Agent's opinion, based on the advice of Counsel, the same shall have been cured or adequate provision made therefor;

provided that no delay or omission of the Warrant Agent or of the Registered Warrantholders to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Warrant Agent or of the Registered Warrantholders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder of the rights resulting therefrom.

ARTICLE 7
MEETINGS OF REGISTERED WARRANTHOLDERS

Section 7.1 Right to Convene Meetings.

The Warrant Agent may at any time and from time to time, and shall on receipt of a written request of the Corporation or of a Warrantholders' Request and upon being indemnified and funded to its reasonable satisfaction by the Corporation or by the Registered Warrantholders signing such Warrantholders' Request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Registered Warrantholders. If the Warrant Agent fails to so call a meeting within seven days after receipt of such written request of the Corporation or such Warrantholders' Request and the indemnity and funding given as aforesaid, the Corporation or such Registered Warrantholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Vancouver, British Columbia or at such other place in Canada as may be approved or determined by the Warrant Agent. A meeting may also be held by electronic communication facility that allows Registered Warrantholders to participate and vote at such meeting.

Section 7.2 Notice.

At least 21 days' prior written notice of any meeting of Registered Warrantholders shall be given to the Registered Warrantholders in the manner provided for in Section 10.2 and a copy of such notice shall be sent by mail to the Warrant Agent (unless the meeting has been called by the Warrant Agent) and to the Corporation (unless the meeting has been called by the Corporation). Such notice shall state the time when and the place where the meeting is to be held, shall state briefly the general nature of the business to be transacted thereat and shall contain such information as is reasonably necessary to enable the Registered Warrantholders to make a reasoned decision on the matter, but it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Section 7.2.

Section 7.3 Chairman.

An individual (who need not be a Registered Warrantholder) designated in writing by the Warrant Agent shall be chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within fifteen minutes from the time fixed for the holding of the meeting, the Registered Warrantholders present in person or by proxy shall choose an individual present to be chairman.

Section 7.4 Quorum.

Subject to the provisions of Section 7.11, at any meeting of the Registered Warrantholders a quorum shall consist of Registered Warrantholder(s) present in person or by proxy and entitled to purchase at least 50% of the aggregate number of Common Shares which could be acquired pursuant to all the then outstanding Warrants. If a quorum of the Registered Warrantholders shall not be present within thirty minutes from the time fixed for holding any meeting, the meeting, if summoned by Registered Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day, in which case it shall be adjourned to the next following Business Day) at the same time and place and no notice of the adjournment need be given. Any business may be brought before or dealt with at an adjourned meeting which might have been dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless a quorum be present at the commencement of business. At the adjourned meeting the Registered Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not be entitled to acquire at least 50% of the aggregate number of Common Shares which may be acquired pursuant to all then outstanding Warrants.

Section 7.5 Power to Adjourn.

The chairman of any meeting at which a quorum of the Registered Warrantholders is present (other than a meeting that is called as a result of a Warrantholders' Request) may, with the consent of the meeting, adjourn any such meeting, and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

Section 7.6 Show of Hands.

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands except that votes on an Extraordinary Resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

Section 7.7 Poll and Voting.

(1) On every Extraordinary Resolution, and on any other question submitted to a meeting and after a vote by show of hands when demanded by the chairman or by one or more of the Registered Warrantholders acting in person or by proxy and entitled to acquire in the aggregate at least 5% of the aggregate number of Common Shares which could be acquired pursuant to all the Warrants then outstanding, a poll shall be taken in such manner as the chairman shall direct. Questions other than those required to be determined by Extraordinary Resolution shall be decided by a majority of the votes cast on the poll.

(2) On a show of hands, every person who is present and entitled to vote, whether as a Registered Warrantholder or as proxy for one or more absent Registered Warrantholders, or both, shall have one vote. On a poll, each Registered Warrantholder present in person or represented by a proxy duly appointed by instrument in writing shall be entitled to one vote in respect of each Warrant then held or represented by it. A proxy need not be a Registered Warrantholder. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Warrants, if any, held or represented by him.

Section 7.8 Regulations.

(1) The Warrant Agent, or the Corporation with the approval of the Warrant Agent, may from time to time make and from time to time vary such regulations as it shall think fit for the setting of the record date for a meeting for the purpose of determining Registered Warrantholders entitled to receive notice of and to vote at the meeting.

(2) Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as a Registered Warrantholder, or be entitled to vote or be present at the meeting in respect thereof (subject to Section 7.9), shall be Registered Warrantholders or proxies of Registered Warrantholders.

Section 7.9 Corporation and Warrant Agent May be Represented.

The Corporation and the Warrant Agent, by their respective directors, officers, agents, and employees and the Counsel for the Corporation and for the Warrant Agent may attend any meeting of the Registered Warrantholders.

Section 7.10 Powers Exercisable by Extraordinary Resolution.

In addition to all other powers conferred upon them by any other provisions of this Indenture or by law, the Registered Warrantholders at a meeting shall, subject to the provisions of Section 7.11, have the power exercisable from time to time by Extraordinary Resolution:

(a) to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Registered Warrantholders or the Warrant Agent in its capacity as warrant agent hereunder (subject to the Warrant Agent's prior consent, acting reasonably) or on behalf of the Registered Warrantholders against the Corporation whether such rights arise under this Indenture or otherwise;

(b) to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Registered Warrantholders;

(c) to direct or to authorize the Warrant Agent, subject to Section 9.2(2) hereof, to enforce any of the covenants on the part of the Corporation contained in this Indenture or to enforce any of the rights of the Registered Warrantholders in any manner specified in such Extraordinary Resolution or to refrain from enforcing any such covenant or right;

(d) to waive, and to direct the Warrant Agent to waive, any default on the part of the Corporation in complying with any provisions of this Indenture either unconditionally or upon any conditions specified in such Extraordinary Resolution;

(e) to restrain any Registered Warrantholder from taking or instituting any suit, action or proceeding against the Corporation for the enforcement of any of the covenants on the part of the Corporation in this Indenture or to enforce any of the rights of the Registered Warrantholders;

(f) to direct any Registered Warrantholder who, as such, has brought any suit, action or proceeding to stay or to discontinue or otherwise to deal with the same upon payment of the costs, charges and expenses reasonably and properly incurred by such Registered Warrantholder in connection therewith;

(g) to assent to any change in or omission from the provisions contained in this Indenture or any ancillary or supplemental instrument which may be agreed to by the Corporation, and to authorize the Warrant Agent to concur in and execute any ancillary or supplemental indenture embodying the change or omission;

(h) with the consent of the Corporation, such consent not to be unreasonably withheld, to remove the Warrant Agent or its successor in office and to appoint a new warrant agent or warrant agents to take the place of the Warrant Agent so removed; and

(i) to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation.

Section 7.11 Meaning of Extraordinary Resolution.

(1) The expression "**Extraordinary Resolution**" when used in this Indenture means, subject as hereinafter provided in this Section 7.11 and in Section 7.14, a resolution (i) proposed at a meeting of Registered Warrantholders duly convened for that purpose and held in accordance with the provisions of this Article 7 at which there are present in person or by proxy Registered Warrantholders holding at least 25% of the aggregate number of Common Shares that could be acquired and passed by the affirmative votes of Registered Warrantholders holding not less than 66 2/3% of the aggregate number of Common Shares that could be acquired at the meeting and voted on the poll upon such resolution; or (ii) in writing signed by the holders of at least 66 2/3% of the then outstanding Warrants on any matter that would otherwise be voted upon at a meeting called to approve such resolution as contemplated in Section 7.11(1)(i).

(2) If, at the meeting at which an Extraordinary Resolution is to be considered, Registered Warrantholders holding at least 25% of the aggregate number of Common Shares that could be acquired are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by Registered Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case it shall stand adjourned to such day, being not less than 15 or more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 14 days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided for in Section 10.2. Such notice shall state that at the adjourned meeting the Registered Warrantholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Registered Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in Section 7.11(1) shall be an Extraordinary Resolution within the meaning of this Indenture notwithstanding that Registered Warrantholders entitled to acquire at least 25% of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Warrants are not present in person or by proxy at such adjourned meeting.

(3) Subject to Section 7.14, votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

Section 7.12 Powers Cumulative.

Any one or more of the powers or any combination of the powers in this Indenture stated to be exercisable by the Registered Warrantholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the right of the Registered Warrantholders to exercise such power or powers or combination of powers then or thereafter from time to time.

Section 7.13 Minutes.

Minutes of all resolutions and proceedings at every meeting of Registered Warrantholders shall be made and duly entered in books to be provided from time to time for that purpose by the Warrant Agent at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman or the secretary of the meeting at which such resolutions were passed or proceedings had shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly convened and held, and all resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

Section 7.14 Instruments in Writing.

All actions which may be taken and all powers that may be exercised by the Registered Warrantholders at a meeting held as provided in this Article 7 may also be taken and exercised by Registered Warrantholders holding not less than 66 2/3% of the aggregate number of all of the then outstanding Warrants by an instrument in writing signed in one or more counterparts by such Registered Warrantholders in person or by attorney duly appointed in writing, and the expression "**Extraordinary Resolution**" when used in this Indenture shall include an instrument so signed.

Section 7.15 Binding Effect of Resolutions.

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 7 at a meeting of Registered Warrantholders shall be binding upon all the Warrantholders, whether present at or absent from such meeting, and every instrument in writing signed by Registered Warrantholders in accordance with Section 7.14 shall be binding upon all the Warrantholders, whether signatories thereto or not, and each and every Warrantholder and the Warrant Agent (subject to the provisions for indemnity herein contained) shall be bound to give effect accordingly to every such resolution and instrument in writing.

Section 7.16 Holdings by Corporation Disregarded.

In determining whether Registered Warrantholders holding Warrants evidencing the entitlement to acquire the required number of Common Shares are present at a meeting of Registered Warrantholders for the purpose of determining a quorum or have concurred in any consent, waiver, Extraordinary Resolution, Warrantholders' Request or other action under this Indenture, Warrants owned legally or beneficially by the Corporation shall be disregarded in accordance with the provisions of Section 10.7.

ARTICLE 8
SUPPLEMENTAL INDENTURES

Section 8.1 Provision for Supplemental Indentures for Certain Purposes.

From time to time, the Corporation (when authorized by action of the directors) and the Warrant Agent may, subject to the provisions hereof and they shall, when so directed in accordance with the provisions hereof, execute and deliver by their proper officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

(a) setting forth any adjustments resulting from the application of the provisions of Article 4;

(b) adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of Counsel, are necessary or advisable in the premises, provided that the same are not in the opinion of the Warrant Agent, relying on the advice of Counsel, prejudicial to the interests of the Registered Warrantholders;

(c) giving effect to any Extraordinary Resolution passed as provided in Section 7.11;

(d) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining a listing or quotation of the Warrants on any stock exchange, provided that such provisions are not, in the opinion of the Warrant Agent, relying on the advice of Counsel, prejudicial to the interests of the Registered Warrantholders;

(e) adding to or altering the provisions hereof in respect of the transfer of Warrants, making provision for the exchange of Warrants, and making any modification in the form of the Warrant Certificates which does not affect the substance thereof;

(f) modifying any of the provisions of this Indenture, including relieving the Corporation from any of the obligations, conditions or restrictions herein contained, provided that such modification or relief shall be or become operative or effective only if, in the opinion of the Warrant Agent, relying on the advice of Counsel, such modification or relief in no way prejudices any of the rights of the Registered Warrantholders or of the Warrant Agent, and provided further that the Warrant Agent may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Warrant Agent when the same shall become operative;

(g) providing for the issuance of additional Warrants hereunder, including Warrants in excess of the number set out in Section 2.1 and any consequential amendments hereto as may be required by the Warrant Agent relying on the advice of Counsel; and

(h) for any other purpose not inconsistent with the terms of this Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that in the opinion of the Warrant Agent, relying on the advice of Counsel, the rights of the Warrant Agent and of the Registered Warrantholders are in no way prejudiced thereby.

Section 8.2 Successor Entities.

In the case of the consolidation, amalgamation, arrangement, merger or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to or with another entity ("**successor entity**"), the successor entity resulting from such consolidation, amalgamation, arrangement, merger or transfer (if not the Corporation) shall expressly assume, by supplemental indenture satisfactory in form to the Warrant Agent and executed and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Indenture to be performed and observed by the Corporation.

ARTICLE 9
CONCERNING THE WARRANT AGENT

Section 9.1 Trust Indenture Legislation.

(1) If and to the extent that any provision of this Indenture limits, qualifies or conflicts with a mandatory requirement of Applicable Legislation, such mandatory requirement shall prevail.

(2) The Corporation and the Warrant Agent agree that each will, at all times in relation to this Indenture and any action to be taken hereunder, observe and comply with and be entitled to the benefits of Applicable Legislation.

Section 9.2 Rights and Duties of Warrant Agent.

(1) In the exercise of the rights and duties prescribed or conferred by the terms of this Indenture, the Warrant Agent shall exercise that degree of care, diligence and skill that a reasonably prudent warrant agent would exercise in comparable circumstances. No provision of this Indenture shall be construed to relieve the Warrant Agent from liability for its own gross negligent action, wilful misconduct, bad faith or fraud.

(2) The obligation of the Warrant Agent to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Warrant Agent or the Registered Warrantholders hereunder shall be conditional upon the Registered Warrantholders furnishing, when required by notice by the Warrant Agent, sufficient funds to commence or to continue such act, action or proceeding and an indemnity reasonably satisfactory to the Warrant Agent to protect and to hold harmless the Warrant Agent and its officers, directors, employees and agents, against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Warrant Agent to expend or to risk its own funds or otherwise to incur liability, financial or otherwise, in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified and funded as aforesaid.

(3) The Warrant Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Registered Warrantholders, at whose instance it is acting to deposit with the Warrant Agent the Warrants Certificates held by them, for which Warrants the Warrant Agent shall issue receipts.

(4) Every provision of this Indenture that by its terms relieves the Warrant Agent of liability or entitles it to rely upon any evidence submitted to it is subject to the provisions of Applicable Legislation.

Section 9.3 Evidence, Experts and Advisers.

(1) If, in the administration of the trusts of this Indenture, the Warrant Agent deems it necessary or desirable that any matter be proved or established by the Corporation, prior to taking or suffering any action hereunder, the Warrant Agent may accept, act, and rely upon, and shall be protected in accepting, acting , and relying upon, a certificate of the Corporation as conclusive evidence of the truth of any fact relating to the Corporation or its assets therein stated and proof of the regularity of any proceedings or actions associated therewith, but the Warrant Agent may in its discretion require further evidence or information before acting or relying on any such certificate. In addition to the reports, certificates, opinions, and other evidence required by this Indenture, the Corporation shall furnish to the Warrant Agent such additional evidence of compliance with any provision hereof, and in such form as may be prescribed by Applicable Legislation or as the Warrant Agent may reasonably require by written notice to the Corporation. Whenever Applicable Legislation requires that evidence referred to in this Section be in the form of a statutory declaration, the Warrant Agent may accept such statutory declaration in lieu of a certificate of the Corporation required by any provision hereof. Any such statutory declaration may be made by any one or more of the Chair of the Board and Chief Executive Officer, President or Chief Financial Officer of the Corporation or by any other officer or director of the Corporation to whom such authority is delegated by the directors from time to time.

(2) In the exercise of its rights and duties hereunder, the Warrant Agent may, if it is acting in good faith, act and rely, and shall be protected in so acting and relying, as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of the Corporation, certificates of the Corporation or other evidence furnished to the Warrant Agent pursuant to a request of the Warrant Agent, provided that such evidence complies with Applicable Legislation and that the Warrant Agent complies with Applicable Legislation and that the Warrant Agent examines the same and determines that such evidence complies with the applicable requirements of this Indenture. The Warrant Agent may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The Warrant Agent is not bound to make any inquiry or investigation as to the performance by the Corporation of the Corporation's covenants hereunder.

(3) Whenever it is provided in this Indenture or under Applicable Legislation that the Corporation shall deposit with the Warrant Agent resolutions, certificates, reports, opinions, requests, orders or other documents, it is intended that the truth, accuracy and good faith on the effective date thereof and the facts and opinions stated in all such documents so deposited shall, in each and every such case, be conditions precedent to the right of the Corporation to have the Warrant Agent take the action to be based thereon.

(4) The Warrant Agent may employ or retain such Counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of determining and discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, without taxation of costs of any Counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Warrant Agent. The Corporation shall reimburse the Warrant Agent for all disbursements, costs and expenses made or incurred by the Warrant Agent in the discharge of its duties and in the management of the agency hereunder.

(5) The Warrant Agent may act and rely and shall be protected in acting and relying in good faith on the opinion or advice of or information obtained from any Counsel, accountant, appraiser, engineer or other expert or adviser, whether retained or employed by the Corporation or by the Warrant Agent, in relation to any matter arising in the administration of the agency hereof. The Warrant Agent shall not incur any liability for the acts or omissions of such Counsel, accountant, appraiser, engineer or other expert or adviser retained or employed by the Warrant Agent in good faith.

Section 9.4 Documents, Monies, etc. Held by Warrant Agent.

(1) Any monies, securities, documents of title or other instruments that may at any time be held by the Warrant Agent shall be placed in the deposit vaults of the Warrant Agent or of any Canadian chartered bank listed in Schedule I of the *Bank Act* (Canada), or deposited for safekeeping with any such bank. Any written direction for release of funds received shall be received by the Warrant Agent by 3:00 p.m. (Vancouver time) on the Business Day prior to the Business Day on which such release is to be made, failing which such direction will be handled on a commercially reasonable efforts basis and may result in funds being released on the next Business Day. The Warrant Agent shall have no responsibility or liability for any diminution of any funds resulting from any investment made in accordance with this Indenture, including any losses on any investment liquidated prior to maturity in order to make a payment required hereunder.

(2) The Warrant Agent may hold cash balances constituting part or all of such monies and may, but need not, invest same in the deposit department of a Canadian chartered bank; but the Warrant Agent, its affiliates or a Canadian chartered bank shall not be liable to account for any profit to any parties to this Indenture or to any other person or entity.

Section 9.5 Actions by Warrant Agent to Protect Interest.

The Warrant Agent shall have power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect or enforce its interests and the interests of the Registered Warrantholders.

Section 9.6 Warrant Agent Not Required to Give Security.

The Warrant Agent shall not be required to give any bond or security in respect of the execution of the agency and powers of this Indenture or otherwise in respect of the premises.

Section 9.7 Protection of Warrant Agent.

By way of supplement to the provisions of any law for the time being relating to the Warrant Agent it is expressly declared and agreed as follows:

(a) the Warrant Agent shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture;

(b) the Warrant Agent shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Warrant Certificates (except the representation contained in Section 9.10 or in the Authentication of the Warrant Agent on the Warrant Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation only;

(c) nothing herein contained shall impose any obligation on the Warrant Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;

(d) the Warrant Agent shall not be bound to give notice to any person or persons of the execution hereof;

(e) the Warrant Agent shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of its covenants herein contained or of any acts of any directors, officers, employees, agents or servants of the Corporation;

(f) the Warrant Agent is in no way responsible for the use by the Corporation of the proceeds of the issue hereunder;

(g) the Corporation hereby indemnifies and agrees to hold harmless the Warrant Agent, its affiliates, their officers, directors, employees, agents, successors and assigns (the "**Indemnified Parties**") from and against any and all liabilities whatsoever, losses, damages, penalties, claims, demands, actions, suits, proceedings, costs, charges, assessments, judgments, expenses and disbursements, including reasonable legal fees and disbursements of whatever kind and nature which may at any time be imposed on or incurred by or asserted against the Indemnified Parties, or any of them, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of the Indemnified Parties' duties, or any other services that Warrant Agent may provide in connection with or in any way relating to this Indenture. The Corporation agrees that its liability hereunder shall be absolute and unconditional regardless of the correctness of any representations of any third parties and regardless of any liability of third parties to the Indemnified Parties, and shall accrue and become enforceable without prior demand or any other precedent action or proceeding; provided that, notwithstanding any other provision of this Indenture, the Corporation shall not be required to hold harmless or indemnify the Indemnified Parties in the event of the gross negligence, bad faith, wilful misconduct or fraud of the Warrant Agent, and this provision shall survive the resignation or removal of the Warrant Agent or the termination or discharge of this Indenture;

(h) the Warrant Agent shall not be under any obligation to prosecute or to defend any action or suit in respect of the relationship which, in the opinion of Counsel, may involve it in expense or liability, unless the Corporation shall, so often as required, furnish the Warrant Agent with satisfactory indemnity and funding against such expense or liability; and

(i) notwithstanding the foregoing or any other provision of this Indenture, any liability of the Warrant Agent shall be limited, in the aggregate, to the amount of annual retainer fees paid by the Corporation to the Warrant Agent under this Indenture in the twenty-four (24) months immediately prior to the Warrant Agent receiving the first notice of the claim. Notwithstanding any other provision of this Indenture, and whether such losses or damages are foreseeable or unforeseeable, the Warrant Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages.

Section 9.8 Replacement of Warrant Agent; Successor by Merger.

(1) The Warrant Agent may resign its agency and be discharged from all further duties and liabilities hereunder, subject to this Section 9.8, by giving to the Corporation not less than 60 days' prior notice in writing or such shorter prior notice as the Corporation may accept as sufficient. The Registered Warrantholders by Extraordinary Resolution shall have power at any time to remove the existing Warrant Agent and to appoint a new warrant agent. In the event of the Warrant Agent resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new warrant agent unless a new warrant agent has already been appointed by the Registered Warrantholders; failing such appointment by the Corporation, the retiring Warrant Agent (at the expense of the Corporation) or any Registered Warrantholder may apply to a judge of the Province of Ontario on such notice as such judge may direct, for the appointment of a new warrant agent; but any new warrant agent so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Registered Warrantholders. Any new warrant agent appointed under any provision of this Section 9.8 shall be an entity authorized to carry on the business of a trust company in the Province of British Columbia and, if required by the Applicable Legislation for any other provinces, in such other provinces. On any such appointment the new warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Warrant Agent hereunder.

(2) Upon the appointment of a successor warrant agent, the Corporation shall promptly notify the Registered Warrantholders thereof in the manner provided for in Section 10.2.

(3) Upon payment by the Company to the retiring Warrant Agent of any and all outstanding fees or charges still properly owing to it, the retiring Warrant Agent shall undertake to transfer all requisite files, inventory and other records to the successor agent upon request of the Company. Any Warrant Certificates Authenticated but not delivered by a predecessor Warrant Agent may be Authenticated by the successor Warrant Agent in the name of the predecessor or successor Warrant Agent.

(4) Any corporation into which the Warrant Agent may be merged or consolidated or amalgamated, or any corporation resulting therefrom to which the Warrant Agent shall be a party, or any corporation succeeding to substantially the corporate trust business of the Warrant Agent shall be the suc cessor to the Warrant Agent hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as successor Warrant Agent under Section 9.8(1).

Section 9.9 Warrant Agent May Deal in Instruments

The Warrant Agent may in its personal or other capacity, buy, sell, lend upon and deal in and hold securities of the Company and generally contract and enter into financial transactions with the Company or otherwise, without being liable to account for any profits made thereby.

Section 9.10 Acceptance of Agency

The Warrant Agent hereby accepts the agency in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth. No trust is intended to be or will be created hereby and the Warrant Agent shall owe no duties hereunder as a trustee.

Section 9.11 Warrant Agent Not to be Appointed Receiver.

The Warrant Agent and any person related to the Warrant Agent shall not be appointed a receiver, a receiver and manager or liquidator of all or any part of the assets or undertaking of the Corporation.

Section 9.12 Warrant Agent Not Required to Give Notice of Default.

The Warrant Agent shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required so to do under the terms hereof; nor shall the Warrant Agent be required to take notice of any default hereunder, unless and until notified in writing of such default, which notice shall distinctly specify the default desired to be brought to the attention of the Warrant Agent and in the absence of any such notice the Warrant Agent may for all purposes of this Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Warrant Agent to determine whether or not the Warrant Agent shall take action with respect to any default. Proof of execution of any document or instrument in writing by a holder may be made by the certificate of a notary public, or other officer with similar powers, that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution, or in any other manner the Warrant Agent considers adequate. The Warrant Agent shall not be bound to give notice to any person of execution hereof.

Section 9.13 Anti-Money Laundering.

(1) Each party to this Agreement other than the Warrant Agent hereby represents to the Warrant Agent that any account to be opened by, or interest to be held by the Warrant Agent in connection with this Agreement, for or to the credit of such party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Warrant Agent's prescribed form as to the particulars of such third party.

(2) The Warrant Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Warrant Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering, anti-terrorist or sanctions legislation, regulation or guideline. Further, should the Warrant Agent, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering, anti-terrorist or sanctions legislation, regulation or guideline, then it shall have the right to resign on ten (10) days written notice to the other parties to this Indenture, provided (i) that the Warrant Agent's written notice shall describe the circumstances of such non-compliance to the extent permitted by applicable anti-money laundering, anti-terrorist or sanctions legislation, regulation or guideline; and (ii) that if such circumstances are rectified to the Warrant Agent's satisfaction within such ten (10) day period, then such resignation shall not be effective.

Section 9.14 Compliance with Privacy Code.

The parties acknowledge that the Warrant Agent may, in the course of providing services hereunder, collect or receive financial and other personal information about such parties and/or their representatives, as individuals, or about other individuals related to the subject matter hereof, and use such information for the following purposes:

(a) to provide the services required under this Indenture and other services that may be requested from time to time;

(b) to help the Warrant Agent manage its servicing relationships with such individuals;

(c) to meet the Warrant Agent's legal and regulatory requirements; and

(d) if Social Insurance Numbers are collected by the Warrant Agent, to perform tax reporting and to assist in verification of an individual's identity for security purposes.

Each party acknowledges and agrees that the Warrant Agent may receive, collect, use and disclose personal information provided to it or acquired by it in the course of this Indenture for the purposes described above and, generally, in the manner and on the terms described in its Privacy Code, which the Warrant Agent shall make available on its website, https://www.astfinancial.com/ca-en or upon request, including revisions thereto. The Warrant Agent may transfer personal information to other companies in or outside of Canada that provide data processing and storage or other support in order to facilitate the services it provides.

Further, each party agrees that it shall not provide or cause to be provided to the Warrant Agent any personal information relating to an individual who is not a party to this Indenture unless that party has assured itself that such individual understands and has consented to the aforementioned uses and disclosures.

Section 9.15 Securities Exchange Commission Certification.

The Corporation confirms that as at the date hereof it does not have a class of securities registered pursuant to Section 12 of the U.S. Exchange Act or a reporting obligation pursuant to Section 15(d) of the U.S. Exchange Act.

The Corporation covenants that in the event that (i) any class of its securities shall become registered pursuant to Section 12 of the U.S. Exchange Act, (ii) the Corporation shall incur a reporting obligation pursuant to Section 15(d) of the U.S. Exchange Act, or (iii) any such registration or reporting obligation shall be terminated by the Corporation in accordance with the U.S. Exchange Act, the Corporation shall promptly deliver to the Warrant Agent an officer's certificate (in a form provided by the Warrant Agent) notifying the Warrant Agent of such registration, reporting obligation or termination, and such other information as the Warrant Agent may reasonably require at the time. The Corporation acknowledges that the Warrant Agent is relying upon the foregoing representation and covenants in order to meet certain obligations of the Warrant Agent with respect to those clients of the Warrant Agent that are required to file reports with the SEC under the U.S. Exchange Act.

ARTICLE 10 GENERAL

Section 10.1 Notice to the Corporation and the Warrant Agent.

(1) Unless herein otherwise expressly provided, any notice to be given hereunder to the Corporation or the Warrant Agent shall be deemed to be validly given if delivered, sent by registered letter, postage prepaid or if faxed:

(a) If to the Corporation:

Suite 915 - 700 West Pender Street
Vancouver, BC
V6C 1G8

Email: chris@algernonpharmaceuticals.com
Attention: Chief Executive Officer

(b) If to the Warrant Agent:

AST Trust Company (Canada)
1 Toronto Street, Suite 1200
Toronto, ON
M5C 2V6

Email: stasche@astfinancial.com
Attention: Susanne Tache

and any such notice delivered in accordance with the foregoing shall be deemed to have been received and given on the date of delivery or, if mailed, on the fifth Business Day following the date of mailing such notice or, if faxed, on the next Business Day following the date of transmission.

(2) The Corporation or the Warrant Agent, as the case may be, may from time to time notify the other in the manner provided in Section 10.1(1) of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation or the Warrant Agent, as the case may be, for all purposes of this Indenture.

(3) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrant Agent or to the Corporation hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to the named officer of the party to which it is addressed, as provided in Section 10.1(1), or given by facsimile or other means of prepaid, transmitted and recorded communication.

Section 10.2 Notice to Registered Warrantholders.

(1) Unless otherwise provided herein, notice to the Registered Warrantholders under the provisions of this Indenture shall be valid and effective if delivered or sent by ordinary prepaid post addressed to such holders at their post office addresses appearing on the register hereinbefore mentioned and shall be deemed to have been effectively received and given on the date of delivery or, if mailed, on the third Business Day following the date of mailing such notice. In the event that Warrants are held in the name of the Depository, a copy of such notice shall also be sent by electronic communication to the Depository and shall be deemed received and given on the day it is so sent.

(2) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Registered Warrantholders hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to such Registered Warrantholders to the address for such Registered Warrantholders contained in the register maintained by the Warrant Agent or such notice may be given, at the Corporation's expense, by means of publication in the Globe and Mail, National Edition, or any other English language daily newspaper or newspapers of general circulation in Canada, in each two successive weeks, the first such notice to be published within 5 business days of such event, and any such notice published shall be deemed to have been received and given on the latest date the publication takes place.

Section 10.3 Ownership of Warrants.

The Corporation and the Warrant Agent may deem and treat the Registered Warrantholders as the absolute owner thereof for all purposes, and the Corporation and the Warrant Agent shall not be affected by any notice or knowledge to the contrary except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction. The receipt of any such Registered Warrantholder of the Common Shares which may be acquired pursuant thereto shall be a good discharge to the Corporation and the Warrant Agent for the same and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction.

Section 10.4 Counterparts and Electronic Means.

This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof. Delivery of an executed copy of this Indenture by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Indenture as of the date hereof.

Section 10.5 Satisfaction and Discharge of Indenture. Upon the earlier of:

(a) the date by which there shall have been delivered to the Warrant Agent for exercise or cancellation all Warrants theretofore Authenticated hereunder, in the case of Certificated Warrants (or such other instructions, in a form satisfactory to the Warrant Agent), in the case of Uncertificated Warrants, or by way of standard processing through the book entry only system in the case of a CDS Global Warrant; and

(b) the Expiry Time;

and if all certificates or other entry on the register representing Common Shares required to be issued in compliance with the provisions hereof have been issued and delivered hereunder or to the Warrant Agent in accordance with such provisions, this Indenture shall cease to be of further effect and the Warrant Agent, on demand of and at the cost and expense of the Corporation and upon delivery to the Warrant Agent of a certificate of the Corporation stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. Notwithstanding the foregoing, the indemnities provided to the Warrant Agent by the Corporation hereunder shall remain in full force and effect and survive the termination of this Indenture.

Section 10.6 Provisions of Indenture and Warrants for the Sole Benefit of Parties and Registered Warrantholders.

Nothing in this Indenture or in the Warrants, expressed or implied, shall give or be construed to give to any person other than the parties hereto and the Registered Warrantholders, as the case may be, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision herein or therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the Registered Warrantholders.

Section 10.7 Common Shares or Warrants Owned by the Corporation or its Subsidiaries - Certificate to be Provided.

For the purpose of disregarding any Warrants owned legally or beneficially by the Corporation in Section 7.16, the Corporation shall provide to the Warrant Agent, from time to time, a certificate of the Corporation setting forth as at the date of such certificate:

(a) the names (other than the name of the Corporation) of the Registered Warrantholders which, to the knowledge of the Corporation, are owned by or held for the account of the Corporation; and

(b) the number of Warrants owned legally or beneficially by the Corporation;

and the Warrant Agent, in making the computations in Section 7.16, shall be entitled to rely on such certificate without any additional evidence.

Section 10.8 Severability

If, in any jurisdiction, any provision of this Indenture or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision will, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Indenture, without affecting the validity or enforceability of such provision in any other jurisdiction and without affecting its application to other parties or circumstances.

Section 10.9 Force Majeure

No party shall be liable to the other, or held in breach of this Indenture, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, pandemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Indenture shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section.

Section 10.10 Assignment, Successors and Assigns

Neither of the parties hereto may assign its rights or interest under this Indenture, except as provided in Section 9.8 in the case of the Warrant Agent, or as provided in Section 8.2 in the case of the Corporation. Subject thereto, this Indenture shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

Section 10.11 Rights of Rescission and Withdrawal for Holders

Should a holder of Warrants exercise any legal, statutory, contractual or other right of withdrawal or rescission that may be available to it, and the holder's funds which were paid on exercise have already been released to the Corporation by the Warrant Agent, the Warrant Agent shall not be responsible for ensuring the exercise is cancelled and a refund is paid back to the holder. In such cases, the holder shall seek a refund directly from the Corporation and subsequently, the Corporation, upon surrender to the Corporation or the Warrant Agent of any underlying shares that may have been issued, or such other procedure as agreed to by the parties hereto, shall instruct the Warrant Agent in writing, to cancel the exercise transaction and any such underlying shares on the register, which may have already been issued upon the Warrant exercise. In the event that any payment is received from the Corporation by virtue of the holder being a shareholder for such Warrants that were subsequently rescinded, such payment must be returned to the Corporation by such holder. The Warrant Agent shall not be under any duty or obligation to take any steps to ensure or enforce that the funds are returned pursuant to this section, nor shall the Warrant Agent be in any other way responsible in the event that any payment is not delivered or received pursuant to this section. Notwithstanding the foregoing, in the event that the Corporation provides the refund to the Warrant Agent for distribution to the holder, the Warrant Agent shall return such funds to the holder as soon as reasonably practicable, and in so doing, the Warrant Agent shall incur no liability with respect to the delivery or non-delivery of any such funds.

IN WITNESS WHEREOF the parties hereto have executed this Indenture under the hands of their proper officers in that behalf as of the date first written above.

ALGERNON PHARMACEUTICALS INC.

Per: */s/ Christopher Moreau*

Name: Christopher Moreau
Title: Chief Executive Officer

Per: */s/ Michael Sadhra*

Name: Michael Sadhra
Title: Chief Financial Officer

AST TRUST COMPANY (CANADA)

Per: */s/ Susanne Tasche*

Name:
Title:

Per: */s/ Leslie McFarlane*

Name:
Title:

SCHEDULE "A"
FORM OF WARRANT

SUBJECT TO THE CORPORATION'S ACCELERATION RIGHT, THE WARRANTS EVIDENCED HEREBY ARE EXERCISABLE AT OR BEFORE 4:00 P.M. (PACIFIC TIME) ON MAY 13, 2022**,** AFTER WHICH TIME THE WARRANTS EVIDENCED HEREBY SHALL BE DEEMED TO BE VOID AND OF NO FURTHER FORCE OR EFFECT.

UNLESS PERMITTED UNDER THE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE SEPTEMBER 14, 2020.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE CANADIAN SECURITIES EXCHANGE ("**CSE**"); HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF CSE SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON CSE.

For all Warrants sold outside the United States and registered in the name of the Depository, also include the following legend

(INSERT IF BEING ISSUED TO CDS) UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("**CDS**") TO ALGERNON PHARMACEUTICALS INC. (THE "**ISSUER**") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE.

For Warrants sold in the United States other than to Original QIB Purchasers, also include the following legends

THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE HOLDING SUCH SECURITIES, AGREES FOR THE BENEFIT OF ALGERNON PHARMACEUTICALS INC. (THE "CORPORATION") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN ACCORDANCE WITH ALL LOCAL LAWS AND REGULATIONS; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 OR (II) RULE 144A THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH 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 CLAUSE (C)(I) OR (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION TO SUCH EFFECT.

THIS WARRANT MAY NOT BE EXERCISED IN THE UNITED STATES OR BY OR FOR THE ACCOUNT OR BENEFIT OF A "U.S. PERSON" OR A PERSON IN THE UNITED STATES UNLESS THE WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE, OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED BY REGULATION S UNDER THE U.S. SECURITIES ACT.

WARRANT

To acquire Common Shares of

ALGERNON PHARMACEUTICALS INC.

(incorporated pursuant to the laws of the Province of British Columbia)

Warrant Certificate No. ●

Certificate for _____ Warrants, each entitling the holder to acquire one
(1) Common Share (subject to adjustment as provided for in the Warrant Indenture (as defined below)

CUSIP: ●

ISIN: ●

THIS IS TO CERTIFY THAT, for value received,

(the "**Warrantholder**") is the registered holder of the number of common share purchase warrants (the "**Warrants**") of Algernon Pharmaceuticals Inc. (the "**Corporation**") specified above, and is entitled, on exercise of these Warrants upon and subject to the terms and conditions set forth herein and in the Warrant Indenture, to purchase at any time before 4:00 p.m. (Pacific time) (the "**Expiry Time**") on May 13, 2022 (the "**Expiry Date**"), subject to the Acceleration Right, one fully paid and non-assessable Class A common share without par value in the capital of the Corporation as constituted on the date hereof (a "**Common Share**") for each Warrant subject to adjustment in accordance with the terms of the Warrant Indenture.

For the purpose of this Warrant Certificate and the Warrant Indenture, "Acceleration Right" means the right of the Corporation to accelerate the Expiry Date to a date that is not less than 30 days following the delivery of a valid Acceleration Notice (as defined in the Warrant Indenture) in accordance with Section 2.2(6) of the Warrant Indenture, if, at any time prior to the Expiry Date, the daily volume-weighted average trading price of the Common Shares on the CSE for the preceding 10 consecutive Trading Days is greater than $1.00.

The right to purchase Common Shares may only be exercised by the Warrantholder within the time set forth above by:

(a) duly completing and executing the exercise form (the "**Exercise Form**") attached hereto; and

(b) surrendering this warrant certificate (the "**Warrant Certificate**"), with the Exercise Form to the Warrant Agent at the principal office of the Warrant Agent, at 1 Toronto Street, Suite 1200 Toronto, ON M5C 2V6, together with a certified cheque, bank draft or money order in the lawful money of Canada payable to or to the order of the Corporation in an amount equal to the purchase price of the Common Shares so subscribed for.

The surrender of this Warrant Certificate, the duly completed Exercise Form and payment as provided above will be deemed to have been effected only on personal delivery thereof to, or if sent by mail or other means of transmission on actual receipt thereof by, the Warrant Agent at its principal office as set out above.

Subject to adjustment thereof in the events and in the manner set forth in the Warrant Indenture hereinafter referred to, the exercise price payable for each Common Share upon the exercise of Warrants shall be $0.55 per Common Share (the "**Exercise Price**").

Certificates for the Common Shares subscribed for will be mailed to the persons specified in the Exercise Form at their respective addresses specified therein or, if so specified in the Exercise Form, delivered to such persons at the office where this Warrant Certificate is surrendered. If fewer Common Shares are purchased than the number that can be purchased pursuant to this Warrant Certificate, the holder hereof will be entitled to receive without charge a new Warrant Certificate in respect of the balance of the Common Shares not so purchased. No fractional Common Shares will be issued upon exercise of any Warrant.

This Warrant Certificate evidences Warrants of the Corporation issued or issuable under the provisions of a warrant indenture (which indenture together with all other instruments supplemental or ancillary thereto is herein referred to as the "**Warrant Indenture**") dated as of May 13, 2020 between the Corporation and AST Trust Company (Canada), as Warrant Agent, to which Warrant Indenture reference is hereby made for particulars of the rights of the holders of Warrants, the Corporation and the Warrant Agent in respect thereof and the terms and conditions on which the Warrants are issued and held, all to the same effect as if the provisions of the Warrant Indenture were herein set forth, to all of which the holder, by acceptance hereof, assents. The Corporation will furnish to the holder, on request and without charge, a copy of the Warrant Indenture.

On presentation at the principal office of the Warrant Agent as set out above, subject to the provisions of the Warrant Indenture and on compliance with the reasonable requirements of the Warrant Agent, one or more Warrant Certificates may be exchanged for one or more Warrant Certificates entitling the holder thereof to purchase in the aggregate an equal number of Common Shares as are purchasable under the Warrant Certificate(s) so exchanged.

Neither the Warrants nor the Common Shares issuable upon exercise thereof have been or will be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any U.S. state securities laws. The Warrants may not be exercised in the United States, or by or on behalf of, or for the account or benefit of, a U.S. person or a person in the United States, unless (i) this Warrant and such Common Shares have been registered under the U.S. Securities Act and the applicable laws of any such state, or (ii) an exemption from such registration requirements is available and the requirements set forth in the Exercise Form have been satisfied. "United States" and "U.S. person" are as defined in Regulation S under the U.S. Securities Act.

The Warrant Indenture contains provisions for the adjustment of the Exercise Price payable for each Common Share upon the exercise of Warrants and the number of Common Shares issuable upon the exercise of Warrants in the events and in the manner set forth therein.

The Warrant Indenture also contains provisions making binding on all holders of Warrants outstanding thereunder resolutions passed at meetings of holders of Warrants held in accordance with the provisions of the Warrant Indenture and instruments in writing signed by Warrantholders of Warrants entitled to purchase a specific majority of the Common Shares that can be purchased pursuant to such Warrants.

Nothing contained in this Warrant Certificate, the Warrant Indenture or elsewhere shall be construed as conferring upon the holder hereof any right or interest whatsoever as a holder of Common Shares or any other right or interest except as herein and in the Warrant Indenture expressly provided. In the event of any discrepancy between anything contained in this Warrant Certificate and the terms and conditions of the Warrant Indenture, the terms and conditions of the Warrant Indenture shall govern.

Warrants may only be transferred in compliance with the conditions of the Warrant Indenture on the register to be kept by the Warrant Agent in Vancouver, British Columbia or Toronto, Ontario or such other registrar as the Corporation, with the approval of the Warrant Agent, may appoint at such other place or places, if any, as may be designated, upon surrender of this Warrant Certificate to the Warrant Agent or other registrar accompanied by a written instrument of transfer in form and execution satisfactory to the Warrant Agent or other registrar and upon compliance with the conditions prescribed in the Warrant Indenture and with such reasonable requirements as the Warrant Agent or other registrar may prescribe and upon the transfer being duly noted thereon by the Warrant Agent or other registrar. Time is of the essence hereof.

This Warrant Certificate will not be valid for any purpose until it has been countersigned or Authenticated by or on behalf of the Warrant Agent from time to time under the Warrant Indenture.

Any capitalized term in this Warrant Certificate that is not otherwise defined herein, shall have the meaning ascribed thereto in the Warrant Indenture.

The parties hereto have declared that they have required that these presents and all other documents related hereto be in the English language. Les parties aux présentes déclarent qu'elles ont exigé que la présente convention, de même que tous les documents s'y rapportant, soient rédigés en anglais.

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be duly executed as of_____, 20___.

ALGERNON PHARMACEUTICALS INC.

By: _____
Authorized Signatory

By: _____
Authorized Signatory

Countersigned and Registered by:

AST TRUST COMPANY (CANADA)

By: _____

Authorized Signatory

FORM OF TRANSFER

To: AST Trust Company (Canada)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers to

_____ (print name and address) the Warrants represented by this Warrants Certificate and hereby irrevocably constitutes and appoints_____as its attorney with full power of substitution to transfer the said securities on the appropriate register of the Warrant Agent.

In the case of a warrant certificate that contains a U.S. restrictive legend, the undersigned hereby represents, warrants and certifies that (one (only) of the following must be checked):

☐ (A) the transfer is being made only to the Corporation;

☐ (B) the transfer is being made outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act, and in compliance with any applicable local securities laws and regulations, and the holder has provided herewith the Declaration for Removal of Legend attached as Schedule "C" to the Warrant Indenture,

☐ (C) the transfer is being made pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by (i) Rule 144 under the U.S. Securities Act or (ii) Rule 144A under the U.S. Securities Act, and in either case in accordance with applicable state securities laws, or

☐ (D) the transfer is being made in another transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws.

In the case of a transfer in accordance with (C)(i) or (D) above, the Warrant Agent and the Corporation shall first have received an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Corporation and the Warrant Agent, to such effect. In the case of a transfer in accordance with (C)(ii) above, the Warrant Agent and the Corporation may request documentation or other evidence to ensure compliance with Rule 144A.

In the case of a warrant certificate that does not contain a U.S. restrictive legend, if the proposed transfer is to, or for the account or benefit of, a U.S. Person or a person in the United States, the undersigned transferor hereby represents, warrants and certifies that the transfer of the Warrants is being completed pursuant to an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws, in which case the undersigned transferor has furnished to the Corporation and the Warrant Agent an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Corporation to such effect.

☐ If transfer is to, or for the account or benefit of, a U.S. Person or a person in the United States, check this box.

In the event this transfer of the Warrants represented by this Warrant Certificate is to a U.S. Warrantholder, or to or for the account or benefit of a U.S. Person or a person in the United States, the Transferor acknowledges and agrees that the Warrant Certificate(s) representing such Warrants issued in the name of the transferee will be endorsed with the legend required by Section 2.8(1) of the Indenture.

THE UNDERSIGNED TRANSFEROR HEREBY CERTIFIES AND DECLARES that the Warrants are not being offered, sold or transferred to, or for the account or benefit of, a "U.S. person" or a person within the "United States" (as such terms are defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and any applicable state securities laws or unless an exemption from such registration is available.

DATED this___ day of_____, 20__.

SPACE FOR GUARANTEES OF SIGNATURES

(SEE INSTRUCTIONS BELOW)

Signature of Transferor

Guarantor's Signature/Stamp

Name of Transferor

REASON FOR TRANSFER - For US Citizens or Residents only (where the individual(s) or corporation receiving the securities is a US citizen or resident). Please select only one (see instructions below).

☐ Gift ☐ Estate ☐ Private Sale ☐ Other (or no change in ownership)

Date of Event (Date of gift, death or sale): Value per Warrants on the date of event:

__/__/____ $ ____.__ ☐ CAD OR ☐ USD

CERTAIN REQUIREMENTS RELATING TO TRANSFERS - READ CAREFULLY

The signature(s) of the transferor(s) must correspond with the name(s) as written upon the face of this certificate(s), in every particular, without alteration or enlargement, or any change whatsoever. All securityholders or a legally authorized representative must sign this form. The signature(s) on this form must be guaranteed in accordance with the transfer agent's then current guidelines and requirements at the time of transfer. Notarized or witnessed signatures are not acceptable as guaranteed signatures. As at the time of closing, you may choose one of the following methods (although subject to change in accordance with industry practice and standards):

- **Canada and the USA:** A Medallion Signature Guarantee obtained from a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, NYSE, MSP). Many commercial banks, savings banks, credit unions, and all broker dealers participate in a Medallion Signature Guarantee Program. The Guarantor must affix a stamp bearing the actual words "Medallion Guaranteed", with the correct prefix covering the face value of the certificate.

- **Canada:** A Signature Guarantee obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust. The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed", sign and print their full name and alpha numeric signing number. Signature Guarantees are not accepted from Treasury Branches, Credit Unions or Caisse Populaires unless they are members of a Medallion Signature Guarantee Program. For corporate holders, corporate signing resolutions, including certificate of incumbency, are also required to accompany the transfer, unless there is a "Signature & Authority to Sign Guarantee" Stamp affixed to the transfer (as opposed to a "Signature Guaranteed" Stamp) obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust or a Medallion Signature Guarantee with the correct prefix covering the face value of the certificate.

- **Outside North America:** For holders located outside North America, present the certificates(s) and/or document(s) that require a guarantee to a local financial institution that has a corresponding Canadian or American affiliate which is a member of an acceptable Medallion Signature Guarantee Program. The corresponding affiliate will arrange for the signature to be over-guaranteed.

OR

The signature(s) of the transferor(s) must correspond with the name(s) as written upon the face of this certificate(s), in every particular, without alteration or enlargement, or any change whatsoever. The signature(s) on this form must be guaranteed by an authorized officer of Royal Bank of Canada, Scotia Bank or TD Canada Trust whose sample signature(s) are on file with the transfer agent, or by a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, NYSE, MSP). Notarized or witnessed signatures are not acceptable as guaranteed signatures. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED", "MEDALLION GUARANTEED" OR "SIGNATURE & AUTHORITY TO SIGN
GUARANTEE", all in accordance with the transfer agent's then current guidelines and requirements at the time of transfer. For corporate holders, corporate signing resolutions, including certificate of incumbency, will also be required to accompany the transfer unless there is a "SIGNATURE & AUTHORITY TO SIGN GUARANTEE" Stamp affixed to the Form of Transfer obtained from an authorized officer of the Royal Bank of Canada, Scotia Bank or TD Canada Trust or a "MEDALLION GUARANTEED" Stamp affixed to the Form of Transfer, with the correct prefix covering the face value of the certificate.

REASON FOR TRANSFER - FOR US CITIZENS OR RESIDENTS ONLY

Consistent with US IRS regulations, AST is required to request cost basis information from US securityholders. Please indicate the reason for requesting the transfer as well as the date of event relating to the reason. The event date is not the day in which the transfer is finalized, but rather the date of the event which led to the transfer request (i.e. date of gift, date of death of the securityholder, or the date the private sale took place).

SCHEDULE "B"
EXERCISE FORM

TO: Algernon Pharmaceuticals Inc. (the "**Corporation**")

AND TO: AST Trust Company (Canada)
1600 - 1066 West Hastings St.
Vancouver, BC
V6E 3X1

The undersigned holder of the Warrants evidenced by this Warrant Certificate hereby exercises the right to acquire_____(A) Common Shares of Algernon Pharmaceuticals Inc.

Exercise Price Payable: _____
((A) multiplied by $0.55, subject to adjustment)

The undersigned hereby exercises the right of such holder to be issued, and hereby subscribes for, Common Shares that are issuable pursuant to the exercise of such Warrants on the terms specified in such Warrant Certificate and in the Warrant Indenture.

The undersigned hereby acknowledges that the undersigned is aware that the Common Shares received on exercise may be subject to restrictions on resale under applicable securities legislation.

Any capitalized term in this Warrant Certificate that is not otherwise defined herein, shall have the meaning ascribed thereto in the Warrant Indenture.

The undersigned represents, warrants and certifies as follows (one (only) of the following must be checked):

(A) ☐ the undersigned holder at the time of exercise of the Warrants (i) is not in the United States, (ii) is not a U.S. Person, (iii) is not exercising the Warrants on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States, (iv) did not acquire the Warrants in the United States or on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States; (v) did not receive an offer to exercise the Warrants in the United States; (vi) did not execute or deliver this exercise form in the United States; and (vii) delivery of the underlying Common Shares will not be to an address in the United States; OR

(B) ☐ the undersigned holder

(i) is (1) present in the United States, (2) a U.S. Person, (3) a person exercising for the account or benefit of a U.S. Person or a person in the United States, (4) executing or delivering this exercise form in the United States, or (5) requesting delivery of the underlying Common Shares in the United States, and

(ii) is an accredited investor (a "**U.S. Accredited Investor**") within the meaning assigned in Rule 501(a) of Regulation D under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), the undersigned holder has delivered to the Corporation and the Corporation's transfer agent a completed and executed U.S. Warrantholder Letter is substantially the form attached to the Warrant Indenture as Schedule "D";

OR

(C) ☐ the undersigned holder

(i) is an Original QIB Purchaser that continues to be a Qualified Institutional Buyer as defined in Rule 144A under the U.S. Securities Act at the time of exercise of the Warrants, and

(ii) the representations, warranties and covenants of the holder made in the U.S. QIB Certificate remain true, correct and in force as of the date of exercise of the Warrants.

OR

(D) ☐ if the undersigned holder

(i) is (1) present in the United States, (2) a U.S. Person, (3) a person exercising for the account or benefit of a U.S. Person or a person in the United States, (4) executing or delivering this exercise form in the United States, or (5) requesting delivery of the underlying Common Shares in the United States, and

(ii) the undersigned holder has an exemption from the registration requirements of the U.S. Securities Act and all applicable state securities laws available for the exercise of the Warrants, and has delivered to the Corporation and the Corporation's transfer agent a written opinion of U.S. counsel of recognized standing, in form and substance reasonably satisfactory to the Corporation, or such other evidence reasonably satisfactory to the Corporation to that effect.

It is understood that the Corporation and the Warrant Agent may require evidence to verify the foregoing representations.

Notes:

1. Certificates representing Common Shares will not be registered or delivered to an address in the United States unless Box B, C or D above is checked.
2. If Box D above is checked, holders are encouraged to consult with the Corporation and the Warrant Agent in advance to determine that the legal opinion tendered in connection with the exercise will be satisfactory in form and substance to the Corporation and the Warrant Agent.
3. "**United States**" and "**U.S. Person**" are as defined in Rule 902 of Regulation S under the U.S. Securities Act.

The undersigned hereby irrevocably directs that the said Common Shares be issued, registered and delivered as follows:

Name(s) in Full and Social Insurance Number(s) (if applicable)	**Address(es)**	**Number of Common Shares**

Please print full name in which certificates representing the Common Shares are to be issued. If any Common Shares are to be issued to a person or persons other than the registered holder, the registered holder must pay to the Warrant Agent all eligible transfer taxes or other government charges, if any, and the Form of Transfer must be duly executed.

Once completed and executed, this Exercise Form must be mailed or delivered to AST Trust Company (Canada), c/o General Manager, Corporate Trust.

DATED this _____day of_____, 20___.

Witness	)	(Signature of Warrantholder, to be the same as appears on the face of this Warrant Certificate)
	)	
	)	Name of Registered Warrantholder

☐ Please check if the certificates representing the Common Shares are to be delivered at the office where this Warrant Certificate is surrendered, failing which such certificates will be mailed to the address set out above. Certificates will be delivered or mailed as soon as practicable after the surrender of this Warrant Certificate to the Warrant Agent.

SCHEDULE "C"
FORM OF DECLARATION FOR REMOVAL OF LEGEND

TO: AST Trust Company (Canada)

as registrar and transfer agent for the Warrants and Common Shares issuable upon exercise of the Warrants of Algernon Pharmaceuticals Inc. (the "**Corporation**").

The undersigned (A) acknowledges that the sale of_____ ❍ Warrants OR ❍ Common Shares (the "**Securities**") of the Corporation, represented by certificate number _____ or held in Direct Registration System (DRS) account number_____ ___, to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and (B) certifies that (1) the undersigned is not (a) an "affiliate" of the Corporation (as that term is defined in Rule 405 under the U.S. Securities Act), except solely by virtue of being an officer or director of the Corporation ,

(b) a "distributor" or (c) an affiliate of a distributor; (2) the offer of such Securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another "designated offshore securities market", and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the Securities are "restricted securities" (as that term is defined in Rule 144(a)(3) under the U.S. Securities Act); (5) the seller does not intend to replace such securities with fungible unrestricted securities; and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S under the U.S. Securities Act, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

DATED this_____, 20___.

X _____
Signature of individual (if Seller is an individual)

X _____
Authorized signatory (if Seller is not an individual)

_____
Name of Seller (please print)

_____
Name of authorized signatory (please print)

_____
Official capacity of authorized signatory (please print)

Affirmation by Seller's Broker-Dealer
(Required for sales pursuant to Section (B)(2)(b) above)

We have read the foregoing representations of our customer,_____(the "**Seller**") with regard to the sale, for such Seller's account, of_____Class A common shares (the **Shares**") of the Corporation represented by certificate number_____or held in Direct Registration System (DRS) account number_____. We have executed sales of the Securities pursuant to Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), on behalf of the Seller. In that connection, we hereby represent to you as follows:

(1) no offer to sell Shares was made to a person in the United States;

(2) the sale of the Shares was executed in, on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another designated offshore securities market (as defined in Rule 902(b) of Regulation S under the U.S. Securities Act), and, to the best of our knowledge, the sale was not pre-arranged with a buyer in the United States;

(3) no "directed selling efforts" were made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and

(4) we have done no more than execute the order or orders to sell the Shares as agent for the Seller and will receive no more than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

For purposes of these representations: "**affiliate**" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned; "**directed selling efforts**" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Shares (including, but not be limited to, the solicitation of offers to purchase the Shares from persons in the United States); and "**United States**" means the United States of America, its territories or possessions, any State of the United States, and the District of Columbia.

Legal counsel to the Corporation shall be entitled to rely upon the representations, warranties and covenants contained herein to the same extent as if this affirmation had been addressed to them.

_____
Name of Firm

By: _____
Authorized Officer

Dated:_____, 20____.

SCHEDULE "D"
FORM OF U.S. WARRANTHOLDER CERTIFICATION UPON EXERCISE OF WARRANTS

Algernon Pharmaceuticals Inc.
Suite 915 - 700 West Pender Street
Vancouver, BC
V6C 1G8

Attention: Chief Executive Officer

- and to -

AST Trust Company (Canada)

as Warrant Agent

Dear Sirs:

The undersigned is delivering this letter in connection with the purchase of Class A common shares (the "**Common Shares**") of Algernon Pharmaceuticals Inc., a corporation incorporated under the laws of the Province of British Columbia (the "**Corporation**") upon the exercise of warrants of the Corporation ("**Warrants**"), issued under the warrant indenture dated as of May 13, 2020 between the Corporation and AST Trust Company (Canada).

The undersigned hereby represents and warrants to the Corporation that the undersigned, and each beneficial owner (each a "**Beneficial Owner**"), if any, on whose behalf the undersigned is exercising such Warrants, satisfies one or more of the following categories of accredited investor **(please write "W/H" for the undersigned holder, and "B/O" for each beneficial owner, if any, on each line that applies)**:

(a) _____ Any bank as defined in Section 3(a)(2) of the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the U.S. Securities Exchange Act of 1934 or any insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; any investment company registered under the U.S. Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the U.S. Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees if such plan has total assets in excess of US$5,000,000; any employee benefit plan within the meaning of the U.S. Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of US$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are "accredited investors," as such term is defined in Rule 501 of Regulation D of the U.S. Securities Act;

(b) _____ Any private business development company as defined in Section 202(a)(22) of the U.S. Investment Advisers Act of 1940;

(c) _____ Any organization described in Section 501(c)(3) of the U.S. Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of US$5,000,000;

(d) _____ Any trust with total assets in excess of US$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person (being defined as a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment);

(e) _____ Any director, executive officer or general partner of the Corporation;

(f) _____ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds US$1,000,000 (**note:** for the purposes of calculating net worth: (i) the person's primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale and purchase of securities contemplated by the accompanying Warrant exercise form, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale and purchase of securities contemplated by the accompanying Warrant exercise form exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability);

(g) _____ Any natural person who had an individual income in excess of US$200,000 in each of the two most recent years or joint income with that person's spouse in excess of US$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year; or

(h) _____ Any entity in which each of the equity owners meets the requirements of one of the above categories (*if this alternative is checked, you must identify each equity owner and provide statements signed by each demonstrating how each qualifies as an accredited investor*).

The undersigned further represents and warrants to the Corporation that:

1. the undersigned has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Common Shares, and the undersigned is able to bear the economic risk of loss of his or her entire investment;

2. the undersigned is: (i) purchasing the Common Shares for his or her own account or for the account of one or more U.S. Accredited Investors with respect to which the undersigned is exercising sole investment discretion, and not on behalf of any other person; (ii) is purchasing the Common Shares for investment purposes only and not with a view to resale, distribution or other disposition in violation of United States federal or state securities laws; and (iii) in the case of the purchase by the undersigned of the Common Shares as agent or trustee for any other person or persons (each a "**Beneficial Owner**"), the undersigned holder has due and proper authority to act as agent or trustee for and on behalf of each such Beneficial Owner in connection with the transactions contemplated hereby; provided that: (x) if the undersigned holder, or any Beneficial Owner, is a corporation or a partnership, syndicate, trust or other form of unincorporated organization, the undersigned holder or each such Beneficial Owner was not incorporated or created solely, nor is it being used primarily, to permit purchases without a prospectus or registration statement under applicable law; and (y) each Beneficial Owner, if any, is a U.S. Accredited Investor;

3. the undersigned has not exercised the Warrants as a result of any form of general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, television, the Internet or other form of telecommunications, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising; and

4. the funds representing the purchase price for the Common Shares which will be advanced by the undersigned to the Corporation will not represent proceeds of crime for the purposes of the United States Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "**PATRIOT Act**"), and the undersigned acknowledges that the Corporation may in the future be required by law to disclose the undersigned's name and other information relating to this exercise form and the undersigned's subscription hereunder, on a confidential basis, pursuant to the PATRIOT Act. No portion of the purchase price to be provided by the undersigned (i) has been or will be derived from or related to any activity that is deemed criminal under the laws of the United States of America, or any other jurisdiction, or (ii) is being tendered on behalf of a person or entity who has not been identified to or by the undersigned, and the undersigned shall promptly notify the Corporation if the undersigned discovers that any of such representations ceases to be true and provide the Corporation with appropriate information in connection therewith.

The undersigned also acknowledges and agrees that:

5. the Corporation has provided to the undersigned the opportunity to ask questions and receive answers concerning the terms and conditions of the offering, and the undersigned has had access to such information concerning the Corporation as he or she has considered necessary or appropriate in connection with his or her investment decision to acquire the Common Shares;

6. if the undersigned decides to offer, sell or otherwise transfer any of the Common Shares, the undersigned must not, and will not, offer, sell or otherwise transfer any of such Common Shares directly or indirectly, unless:

(a) the sale is to the Corporation;

(b) the sale is made outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations;

(c) the sale is made pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in accordance with any applicable state securities or "blue sky" laws; or

(d) the Common Shares are sold in a transaction that does not require registration under the

U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities, and it has prior to such sale furnished to the Corporation an opinion of counsel reasonably satisfactory to the Corporation;

7. the Common Shares are "restricted securities" (as defined in Rule 144(a)(3) under the U.S. Securities Act) and that the U.S. Securities Act and the rules of the United States Securities and Exchange Commission provide in substance that the undersigned may dispose of the Common Shares only pursuant to an effective registration statement under the U.S. Securities Act or an exemption or exclusion therefrom;

8. the Corporation has no obligation to register any of the Common Shares or to take any other action so as to permit sales pursuant to the U.S. Securities Act (including Rule 144 thereunder);

9. the certificates representing the Common Shares as well as all certificates issued in exchange for or in substitution of therefor, until such time as is no longer required under the applicable requirements of the U.S. Securities Act and applicable state securities laws, will bear, on the face of such certificate, restrictive legend substantially in the form set forth in section 3.3(3) of the Warrant Indenture; *provided* that if the Common Shares are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S and the Corporation was a "foreign issuer" (as defined in Rule 902 of Regulation S) at the time of execution and delivery of this exercise form, such restrictive legend may be removed by providing a declaration to the registrar and transfer agent of the Corporation, substantially in the form annexed to the Warrant Indenture as Schedule "C" thereto (or in such other form as the Corporation may prescribe from time to time) and, if requested by the Corporation or transfer agent, an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation to the effect that the transfer is in compliance with Rule 904; and provided, further, that, if any Common Shares are being sold otherwise than in accordance with Regulation S and other than to the Corporation, the legend may be removed by delivery to the registrar and transfer agent and the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws;

10. the financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, which differ in some respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies;

11. there may be material tax consequences to the undersigned of an acquisition or disposition of the Common Shares and the Corporation gives no opinion and makes no representation with respect to the tax consequences to the undersigned under United States, state, local or foreign tax law of the undersigned's acquisition or disposition of such securities; in particular, no determination has been made whether the Corporation will be a "passive foreign investment company" (commonly known as a "**PFIC**") within the meaning of Section 1297 of the United States Internal Revenue Code;

12. it consents to the Corporation making a notation on its records or giving instructions to any transfer agent of the Corporation in order to implement the restrictions on transfer set forth and described in this Warrant Exercise Form; and

13. it acknowledges and consents to the fact that the Corporation is collecting personal information (as that term is defined under applicable privacy legislation, including, without limitation, the *Personal Information Protection and Electronic Documents Act* (Canada) and any other applicable similar, replacement or supplemental provincial or federal legislation or laws in effect from time to time) of the undersigned for the purpose of facilitating the subscription for the Common Shares hereunder. The undersigned acknowledges and consents to the Corporation retaining such personal information for as long as permitted or required by law or business practices and agrees and acknowledges that the Corporation may use and disclose such personal information: (a) for internal use with respect to managing the relationships between and contractual obligations of the Corporation and the undersigned; (b) for use and disclosure for income tax-related purposes, including without limitation, where required by law disclosure to Canada Revenue Agency; (c) disclosure to professional advisers of the Corporation in connection with the performance of their professional services; (d) disclosure to securities regulatory authorities and other regulatory bodies with jurisdiction with respect to reports of trade or similar regulatory filings; (e) disclosure to a governmental or other authority to which the disclosure is required by court order or subpoena compelling such disclosure and where there is no reasonable alternative to such disclosure; (f) disclosure to any person where such disclosure is necessary for legitimate business reasons and is made with your prior written consent; (g) disclosure to a court determining the rights of the parties under this Agreement; and (h) for use and disclosure as otherwise required or permitted by law.

We acknowledge that you will rely upon our confirmations, acknowledgements and agreements set forth herein, and we agree to notify you promptly in writing if any of our representations or warranties herein ceases to be accurate or complete.

DATED this____day of_____, 20_.

_____
Name of U.S. Warrantholder (please print)

X _____
Signature of individual (if U.S. Warrantholder is an individual)

X _____
Authorized Signatory (if U.S. Warrantholder is not an individual)

_____
Name of authorized signatory (please print)

_____
Official capacity of authorized signatory (please print)

EXECUTIVE EMPLOYMENT AGREEMENT

BETWEEN:

ALGERNON PHARMACEUTICALS INC., a company incorporated pursuant to the laws of the Province of British Columbia, with an office at 915-700 West Pender Street, Vancouver, British Columbia

(the "**Company**")

AND:

CHRISTOPHER J. MOREAU, an individual resident in Winnipeg, Manitoba

(the "**Executive**")

(collectively the "**Parties**")

WHEREAS:

(A) The Company is engaged in the business of clinical stage drug development; and

(B) The Executive has been providing executive, management and business development services to the Company or its affiliates in the role of a Chief Executive Officer on a contract for services basis;

(C) The Company and the Executive wish to continue their relationship as an employment relationship in accordance with the terms and conditions outlined below;

NOW THEREFORE in consideration of the premises and mutual agreements set out below, and for the payment of $1.00 consideration from the Company to the Executive, and other good and valuable consideration, the receipt and sufficiency of which is here by acknowledged by the Parties, the Company and the Executive agree as follows:

1. Term

1.1 The Executive's employment under this Agreement shall commence on September 1, 2020 (the "**Effective Date**"), and will continue on indefinitely unless and until terminated in accordance with the terms of this Agreement.

1.2 As of the Effective Date, any prior employment or consulting agreements between the Executive and the Company will be terminated and replaced by this Agreement.

2. Position and Services

2.1 The Executive will be employed by the Company in the position of Chief Executive Officer ("**CEO**"). The Executive acknowledges and agrees that, this Agreement the term "Company" means Algernon Pharmaceuticals Inc. and all of its affiliates and subsidiaries.

2.2 The Executive's duties and responsibilities shall include those duties and responsibilities normally and reasonably associated with the position of CEO together with such other duties and responsibilities as may from time to time be assigned by the Company to the Executive that are commensurate with such position, and as further detailed in **Schedule "A"** to this Agreement (the "**Services**"). During the Executive's employment, other duties and responsibilities or management positions may be reasonably assigned to him from time to time by the Board of Directors of the Company, consistent with his executive position. The Executive acknowledges and agrees that such changes shall not constitute a constructive dismissal or breach of this Agreement.

2.3 The Executive represents and warrants to the Company that he has the required qualifications, skills and experience to perform the duties and exercise the responsibilities that shall be required of the Executive under this Agreement.

2.4 During the Term of this Agreement, the Executive shall at all times:

a) devote his full time and attention and provide the Executive's best efforts, skills and talents to the business of the Company during the Executive's working hours;

b) faithfully, honestly and diligently perform the duties and exercise the responsibilities that shall be required of the Executive under this Agreement;

c) deal at all times in good faith with the Company and its employees, contractors and suppliers;

d) comply with all applicable statutes and regulations and the lawful requirements and directions of any governmental authority having jurisdiction with respect to the Services he provides including the obtaining of all necessary permits and licences;

e) refer to the Board of Directors of the Company on all matters and transactions in which a real or perceived conflict of interest between the Executive and the Company or any of its affiliates may arise;

f) perform the Services in a competent and efficient manner and will carry out all lawful instructions and directions from time to time given to the Executive from the Company; and

g) act at all times in the best interests of the Company and in accordance with the Executive's obligations under this Agreement.

3. Reporting Procedures

3.1 The Executive will report to the Board of Directors of the Company, or such office or position as directed from time to time by the Company. The Executive will fully report on the management, operations and business affairs of the Company and, advise to the best of the Executive's ability and in accordance with reasonable business standards, on business matters that may arise from time to time during the term of the Agreement.

4. Policies

4.1 The Executive agrees to comply with all policies that apply to the Company's employees, as amended from time to time. It is agreed that the introduction, amendment and administration of such policies are within the sole discretion of the Company. If the Company introduces, amends, or cancels any such policies, this will not constitute a breach of this Agreement. If there is a direct conflict between this Agreement and any Company policy, this Agreement shall prevail to the extent of the inconsistency

5. Compensation

5.1 **Base Salary:** For the Services rendered by the Executive under this Agreement, the Company will pay the Executive a base salary of $ 220,000 per annum (the "**Base Salary**"). The Base Salary shall be paid bi-weekly in arrears, less deductions required by law.

5.2 **Bonus:** In addition to the Base Salary, the Executive is eligible to be considered for an annual discretionary bonus which will be subject to the approval of the Board of Directors of the Company, in their sole discretion. Payment of the bonus in one year will not indicate any entitlement to bonus in any other year. Any bonus payable to the Executive is entirely at the discretion of the Company, does not accrue, and is only earned and payable on the date it is provided by the Company. For example, except as otherwise provided by the *Employment Standards Code,* C.C.S.M. c.E110, as amended, if the Executive's employment is terminated on the day before the day on which a bonus would otherwise have been paid, (regardless of the party effecting the termination, whether the termination is with or without cause, lawful or unlawful) the Executive will not be entitled to receive any bonus and the Executive hereby waives any claim to such bonus or any portion thereof.

5.3 **Incentive Stock Plan:** The Executive shall be entitled to participate in the Company's incentive stock ownership plan (the "**Plan**"). All grants of stock options made to the Executive shall be at the sole discretion of the Board of Directors and shall be made in accordance with and subject to the terms of the Plan and a separate agreement or commitment evidencing the options shall be entered into concurrently with any such grant.

6. Travel and Expenses

6.1 The Executive acknowledges and agrees that the Executive's position with the Company may require him to travel from time to time. The Executive agrees to comply with any Company policies relating to travel that may be in effect from time to time.

6.2 The Company will reimburse the Executive for all reasonable travel and other out-of-pocket expenses actually incurred by the Executive directly related to the performance of the Services. The Executive will obtain prior approval for all expenses and will account for all expenses in accordance with the policies and directions provided by the Company.

7. Vacation

7.1 The Executive will be entitled to 4 weeks (20 days) of paid vacation per fiscal year. The vacation entitlement will be pro-rated for any partial year of service.

7.2 Vacation days must be taken and cannot be banked, deferred, or carried over. No payments will be made in lieu of unused vacation days, except as strictly required by the *Employment Standards Code, C.C.S.M. c. E110,* as amended.

7.3 Vacation must be taken at times agreed between the Company and the Executive, with consideration given to the staffing and operational needs of the Company. The Executive must obtain pre-approval for the vacation time by submitting a notice of vacation leave at least 30 days prior to such leave.

8. Termination

8.1 In this Agreement:

a) **"Good Reason"** means the occurrence of any of the following without the Executive's written consent:

(i) A fundamental and adverse change in the Executive's position or duties;

(ii) A fundamental reduction of the Executive's Base Salary by the Company; or

(iii) Any material breach by the Company of any provision of this Agreement where the Company within a reasonable period of time after receipt of written notice of such breach fails to rectify the breach.

b) **"Just Cause"** means any act, omission, behaviour, conduct or circumstance of the Executive that constitutes just cause for termination at common law or any material breach of a provision of this Agreement by the Executive.

c) **"Change In Control"** means either:

(i) Merger or acquisition in which the Company is not the surviving entity; except for a transaction the principal purpose of which is to change the incorporating jurisdiction of the Company; or

(ii) The sale, transfer, or other disposition of all or substantially all the assets of the Company; or

(iii) Any other corporate reorganization or business combination in which 50% or more of the outstanding voting stock of the Company is transferred, or exchanged through merger, to different holders in a single transaction of the Company or in a series of related transactions completing within 12 months.

8.2 **Termination for Just Cause:** The Company may terminate the Executive's employment at any time for Just Cause, without any notice, payment in lieu of notice, or severance compensation.

8.3 **Resignation by Executive:** The Executive may resign from his employment by providing the Company with 30 days' notice in writing (the "Resignation Notice Period"). The Company may elect to waive such notice, in whole or in part, and have the Executive's employment terminate prior to the end of the Resignation Notice. In such circumstances, the Company will pay the Executive an amount equal to the pro-rata Base Salary he would have received had be remained actively employed by the Company until the end of the Resignation Notice Period.

8.4 **Termination Without Just Cause:** The Company may terminate the Executive's employment at any time and for any reason without Just Cause, by providing the Executive with 3 months' written notice, pay in lieu of notice, or any combination thereof. If the Company elects to provide the Executive with payment in lieu of notice pursuant to this Section, then the payment will be based only on the Executive's Base Salary at the time of termination, except as may be otherwise required under the *Employment Standards Code,* C.C.S.M. c. E110, as amended.

8.5 **Termination for Change In Control**: The Executive may terminate this Agreement in connection with any Change In Control by providing the Company with 30 days' notice in writing, within 90 days after the Change of Control has been effected. The Company may waive or abridge any such notice period in its sole and absolute discretion. In the event that the Executive terminates the Agreement as a consequence of Change In Control, the Company will pay the Executive an amount equal to two years of the Base Salary in effect at the time that the notice is provided by the Executive under this Section.

8.6 **Death of the Executive -** This Agreement will automatically terminate, without notice or payment in lieu of notice, upon the death of the Executive.

8.7 It is agreed and understood that provision of the notice or payment in lieu of notice upon termination as set out in Section 8 of this Agreement shall constitute full and final satisfaction of any claim that the Executive may have arising from or relating to the termination of his employment, whether such claim arises under statute, contract, common law or otherwise. The Executive acknowledges and agrees that, upon provision of such notice or payments in lieu of notice, the Executive will have no entitlement to any further payments in relation to the termination of employment.

9. Suspension

9.1 Where the Company considers it necessary for the protection of its operational and business interests, it may require that the Executive undertake reduced or alternative duties consistent with his abilities or remain away from work, with pay, while it conducts an investigation into his conduct or performance. Any such action by the Company shall not constitute a breach of this Agreement, Good Reason, constructive dismissal or a termination of the Executive's employment with the Company.

10. Return of Materials

10.1 All documents and materials in any form or medium including, but not limited to, files, forms, brochures, books, correspondence, memoranda, manuals and lists (including lists of customers, suppliers, products and prices), all equipment and accessories including, but not limited to, computers, computer disks, software products, cellular phones and personal digital assistants, all keys, building access cards, parking passes, credit cards, and other similar items pertaining to the business of the Company that may come into the possession or control of the Executive will at all times remain the property of the Company. On termination of this Agreement for any reason, the Executive agrees to deliver promptly to the Company all property of the Company in the possession of the Executive or directly or indirectly under the control of the Executive. The Executive agrees not to make for the Executive's personal or business use or that of any other party, reproductions or copies of any such property or other property of the Company unless this agreement otherwise entitles the Executive to retain copies of such property.

11. Confidentiality, Non-Competition and Non-Solicitation

11.1 The Executive acknowledges and agrees that:

(a) in the course of performing the Executive's duties and responsibilities hereunder, the Executive has had and will continue in the future to have access to and has been and will be entrusted with detailed confidential information and trade secrets (printed or otherwise) concerning past, present, future and contemplated products, services, operations and marketing techniques and procedures of the Company, including, without limitation, information relating to the identity of, addresses, preferences, needs and requirements of past, present and prospective clients, customers, suppliers and employees of the Company (collectively, "**Trade Secrets**"), the disclosure of any of which to competitors of the Company or to the general public, or the use of same by the Executive or any competitor of the Company would be highly detrimental to the interests of the Company;

(b) in the course of performing the Executive's duties hereunder, the Executive has been, and will continue in the future to be, a representative of the Company to its customers, clients and suppliers and as such has had and will continue in the future to have significant responsibility for maintaining and enhancing the goodwill of the Company with such customers, clients and suppliers and would not have, except by virtue of the Executive's position with the Company, developed a close and direct relationship with the customers, clients and suppliers of the Company;

(c) the Executive, as an Officer of the Company owes fiduciary duties to the Company, including the duty to act in the best interests of the Company; and

(d) the right to maintain the confidentiality of the Trade Secrets, the right to preserve the goodwill of the Company and the right to the benefit of any relationships that have developed between the Executive and the customers, clients and suppliers of the Company by virtue of the Executive's position with the Company constitute proprietary rights of the Company, which the Company is entitled to protect.

11.2 In acknowledgement of the matters described above and in consideration of the payments to be received by the Executive pursuant to this Agreement, the Executive hereby agrees, at any time subsequent to the Effective Date, not to directly or indirectly disclose to any person or in any way make use of (other than for the benefit of the Company), in any manner, any of the Trade Secrets, provided that such Trade Secrets will be deemed not to include information that is or becomes generally available to the public other than as a result of disclosure directly or indirectly by the Executive. Notwithstanding the foregoing, the Executive will not be in violation of this Agreement and will have no liability to the Company for disclosing any Trade Secret when instructed to do so by the Board of Directors of the Company.

11.3 Notwithstanding Section 11.2 above, the Executive may, if and solely to the extent required by lawful subpoena or other lawful process, disclose Trade Secrets but, to the extent possible, shall first notify the Company of each such requirement so that the Company may seek an appropriate protective order or waive compliance with the provisions of this Agreement. The Executive will co-operate fully with the Company, at the expense of the Company, in seeking any such protective order.

11.4 The Executive will not, directly or indirectly, during this Agreement and for 6 (six) months after the termination of this Agreement for any reason in any manner whatsoever:

(a) ***Non-Compete***: carry on, engage in, or hold any interest in any business or research program that is, or itself holds any interest in any business that competes with the Business of the Company anywhere in the Territory.

(b) ***Non-Solicitation***: solicit, interfere with or endeavor to entice away from the Company any of the Company's clients, customers, suppliers, prospective clients or customers with whom the Executive has dealt directly during the course of his tenure with the Company to to transfer their business from the Company to the Executive or any other person or entity.

(c) ***No Hire***: seek in any way to persuade or entice any person to terminate an employment or consulting position with the Company or hire or retain the services of any such person, provided that nothing in this provision shall prevent the Executive from directly or indirectly hiring or retaining any person pursuant to general, public job advertisements that are not targeted to Company personnel.

11.5 For the purposes of this Agreement:

a) **"Business"** of the Company means the business of drug repurposing.

b) **"Territory"** means the province of Manitoba.

11.6 The Executive agrees that:

(a) all restrictions contained herein are reasonable and valid in the circumstances and all defences to the strict enforcement thereof by the Company are hereby waived by the Executive,

(b) each of the restrictions contained herein are each separate and distinct covenants, severable one from the other and if any such covenant or covenants are determined to be invalid or unenforceable, such invalidity or unenforceability will attach only to the covenant or covenants as so determined and all other such covenants will continue in full force and effect, and

(c) monetary damages for any breach this Part would be inadequate for the immediate and irreparable harm that would be suffered by the Company for any such breach, and so, on any application to a court, the Company will be entitled to temporary and permanent injunctive relief against the Executive without the necessity of proving actual damage to the Company.

12. Title and Ownership of Research

12.1 The Parties agree and acknowledge that, provided the Company has met all of its obligations under Section 8 of this Agreement, all right, title and interest in and to the results of activities carried out by the parties pursuant to this Agreement or otherwise in fulfillment of the Executive's obligations hereunder, including any invention, patent or patent application, product, material, method, discovery, composition, process, technique, know-how, data, information or other result, and further including any governmental or regulatory filing submitted, or approval, license, registration, or authorization obtained by the Company in respect of the subject matter of this Agreement, shall vest solely in the Company.

13. Disclosure

13.1 During the term of this Agreement, the Executive will promptly disclose to the Board of Directors of the Company full information concerning any interest, direct or indirect, of the Executive (as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of his family in any business that is reasonably known to the Executive to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to the Company or to any of its suppliers or customers.

14. General

Entire Agreement

14.1 This Agreement and the documents referred to herein contain the complete agreement between the parties and shall, as of the date it takes effect, replace and supersede any and all other agreements between the parties. The parties agree that there are no collateral contracts or agreements between them and that neither of them has made any representations to the other, including but not limited to negligent misrepresentations, except such representations as are specifically set forth in this Agreement.

Notices

14.2 Any notice to be given under this Agreement will be in writing and will be duly and properly given if delivered by hand or by registered or certified mail, at the address for the intended recipient as set forth in this Agreement, or at such other address as such party may designate by notice to the other parties pursuant to this section. Any notice will be deemed to be received when delivered at the address specified in this section or on the fifth business day following the date on which such communication is posted, whichever occurs first.

Governing Law

14.3 This Agreement shall be governed by the laws of Manitoba. The parties submit to the exclusive jurisdiction of the Courts of Manitoba to resolve any and all disputes arising from or in relation to this Agreement.

Severability

14.4 All paragraphs and covenants contained in this Agreement are severable, and in the event that any of them shall be held to be invalid, unenforceable, or void by a court of competent jurisdiction, such paragraphs or covenants shall be severed and the remainder of this Agreement shall remain in full force and effect.

14.5 In the event that this Agreement provides a lesser benefit to the Executive than the minimum standard contained in any applicable legislation, the minimum standard contained in such legislation will prevail to the extent of the inconsistency.

Survival

14.6 The provisions of Sections 10, 11 and 12 will survive any termination of this Agreement.

Independent Legal Advice

14.7 The Executive hereby acknowledges that it has had the opportunity to obtain independent legal advice regarding this Agreement and has either obtained such advice or has waived its right to obtain such advice.

Collection and Use of Personal Information

14.8 During the course of the Executive's employment, the Company may collect employee personal information about him where it is reasonable for the Company to do so for the purposes of establishing, managing and/or terminating the employment relationship. The Company may use and disclose the Executive's employee personal information only for those purposes, or as permitted or required by law. The Executive consents to the Company collecting, using and disclosing personal information of the Executive for business related purposes in accordance with the privacy policy of the Company.

Consideration

14.9 The Executive acknowledges and agrees that this Agreement has been executed in exchange for payment of $1.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged. The Executive waives any and all defences relating to an alleged failure or lack of consideration in connection with this Agreement.

Assignment

14.10 This Agreement will not be assigned by any party hereto; provided however, that any change or changes in the name, authorized share structure or any amalgamation of the Company with any other company will not be or be deemed to be an assignment by the Company hereunder.

Enurement

14.11 This Agreement shall be binding and shall enure to the benefit of the parties hereto, and their heirs, executors, administrators, successors and permitted assigns.

Time

14.12 Time shall be of the essence in this Agreement.

Validity

14.13 Where a party to this Agreement is a Corporation, the Officers and Directors thereof shall take all actions necessary to give full effect to the terms of this Agreement.

[Remainder of Page Intentionally Left Blank]

Counterparts

14.14 This Agreement may be executed in as many counterparts as may be necessary or by facsimile and each such counterpart or facsimile so executed are deemed to be an original and such counterparts and facsimile copies together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

ALGERNON PHARMACEUTICALS INC.

Per: */s/ Michael Sadhra*
Authorized Signatory

Authorized Signatory

Signed and Delivered by **CHRISTOPHER J. MORUEAU** in the presence of:	)	
/s/ Christopher Bryan	)	*/s/ Christopher J. Moreau*
Witness (Signature)	)	**CHRISTOPHER J. MOREAU**
Christopher Bryan	)	
Name (please print)	)	

Schedule "A"

POSITION DESCRIPTION - Chief Executive Officer

Primary Function: Under the direction of the Board, the Chief Executive Officer ("CEO") is responsible for the Corporation's strategic direction and its operations and results. The CEO is responsible and accountable that the Corporation and its management and employees conduct their business with honesty and integrity, with a view of creating sustainable and long-term value and profitable growth.

Primary Responsibilities - The Chief Executive Officer:

1. is responsible for the day to day operations of the business of the Corporation in accordance with the strategic plan and business plans;
2. has primary accountability for the profitability and growth of the Corporation and is directly accountable to the Board for all activities of the Corporation;
3. develop and nurtures a corporate culture that promotes ethical conduct and integrity of the Corporation its management and employees as well as ensuring that the appropriate processes and rules are in place and observed so that ethical conduct and integrity is achieved in practice;
4. in conjunction with the Board, is responsible for the development of the strategic plan, implementation and achievement of the annual business plan;
5. monitors the Corporation's expenditures within approved operating and capital budgets;
6. identifies and reviews with the Board all significant risks to the Corporation's businesses and ensures the implementation of appropriate systems and procedures to mitigate these risks;
7. with the Board, is responsible that appropriate compensation plans are in place for management as well as development of succession plans at the corporate and divisional level;
8. monitors and evaluates the performance of the officers of the Company and the senior executives of its divisions. Keeps the Board informed of key officer performance;
9. acts in a general advisory capacity to other senior corporate officers and staff concerning the management of the Company, particularly with respect to strategic planning, organization structure, business plans, financial budgets, human resources and risk management;
10. reviews at each Board meeting recent developments, if any, that may impact the growth strategy of the Company; and
11. supports the activities and meetings of the Board, including attending committee meetings as appropriate.

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

EXECUTIVE EMPLOYMENT AGREEMENT

BETWEEN:

ALGERNON PHARMACEUTICALS INC., a company incorporated pursuant to the laws of the Province of British Columbia, with an office at 915-700 West Pender Street, Vancouver, British Columbia

(the "**Company**")

AND:

DR. CHRISTOPEHER BRYAN, an individual, with a principal residence at [****].

(the "**Executive**")

(collectively the "**Parties**")

WHEREAS:

(A) The Company is engaged in the business of clinical stage drug development; and

(B) The Executive has been providing services to the Company or its affiliates in the role of Senior Scientist on a contract for services basis;

(C) The Company wishes to promote the Executive to the position of Vice President of Research and Operations and provide the Executive with an increase in salary and other benefits as set out below;

NOW THEREFORE in consideration of the premises and mutual agreements set out below, and for the payment of $1.00 consideration from the Company to the Executive, and other good and valuable consideration, the receipt and sufficiency of which is here by acknowledged by the Parties, the Company and the Executive agree as follows:

1. Term

1.1 The Executive's employment under this Agreement shall commence on March 1st, 2021, (the "**Effective Date**"), and will continue on indefinitely unless and until terminated in accordance with the terms of this Agreement.

1.2 As of the Effective Date, any prior employment or consulting agreements between the Executive and the Company will be terminated and replaced by this Agreement.

2. Position and Services

2.1 The Executive will be employed by the Company in the position of Vice President of Research and Operations. The Executive acknowledges and agrees that, this Agreement the term "Company" means Algernon Pharmaceuticals Inc. and all of its affiliates and subsidiaries.

2.2 The Executive's duties and responsibilities shall include those duties and responsibilities normally and reasonably associated with the position of Vice President of Research and Operations together with such other duties and responsibilities as may from time to time be assigned by the Company to the Executive that are commensurate with such position, and as further detailed in **Schedule "A"** to this Agreement (the "**Services**"). During the Executive's employment, other duties and responsibilities or management positions may be reasonably assigned to him from time to time by the CEO, consistent with his executive position. The Executive acknowledges and agrees that such changes shall not constitute a constructive dismissal or breach of this Agreement.

2.3 The Executive represents and warrants to the Company that he has the required qualifications, skills and experience to perform the duties and exercise the responsibilities that shall be required of the Executive under this Agreement.

2.4 During the Term of this Agreement, the Executive shall at all times:

a) devote his full time and attention and provide the Executive's best efforts, skills and talents to the business of the Company during the Executive's working hours;

b) faithfully, honestly and diligently perform the duties and exercise the responsibilities that shall be required of the Executive under this Agreement;

c) deal at all times in good faith with the Company and its employees, contractors and suppliers;

d) comply with all applicable statutes and regulations and the lawful requirements and directions of any governmental authority having jurisdiction with respect to the Services he provides including the obtaining of all necessary permits and licences;

e) refer to the CEO of the Company on all matters and transactions in which a real or perceived conflict of interest between the Executive and the Company or any of its affiliates may arise;

f) perform the Services in a competent and efficient manner and will carry out all lawful instructions and directions from time to time given to the Executive from the Company; and

g) act at all times in the best interests of the Company and in accordance with the Executive's obligations under this Agreement.

3. Reporting Procedures

3.1 The Executive will report to the CEO of the Company, or such office or position as directed from time to time by the company. The Executive will fully report on the management, operations and business affairs of the Company and, advise to the best of the Executive's ability and in accordance with reasonable business standards, on business matters that may arise from time to time during the term of the Agreement.

4. Policies

4.1 The Executive agrees to comply with all policies that apply to the Company's employees, as amended from time to time. It is agreed that the introduction, amendment and administration of such policies are within the sole discretion of the Company. If the Company introduces, amends, or cancels any such policies, this will not constitute a breach of this Agreement. If there is a direct conflict between this Agreement and any Company policy, this Agreement shall prevail to the extent of the inconsistency

5. Compensation

5.1 **Base Salary:** For the services rendered by the Executive under this Agreement, the Company will pay the Executive a base salary of $130,000 per annum (the "**Base Salary**"). The Base Salary shall be paid bi-weekly in arrears, less deductions required by law.

5.2 **Bonus:** In addition to the Base Salary, the Executive is eligible to be considered for an annual discretionary bonus which will be subject to the approval of the Board of Directors of the Company, in their sole discretion. Payment of the bonus in one year will not indicate any entitlement to bonus in any other year. Any bonus payable to the Executive is entirely at the discretion of the Company, does not accrue, and is only earned and payable on the date it is provided by the Company. For example, except as otherwise the *Employment Standards Code,* C.C.S.M. c.E110, as amended, if the Executive's employment is terminated on the day before the day on which a bonus would otherwise have been paid, whether the termination is with or without cause, lawful or unlawful, the Executive will not be entitled to receive any bonus and the Executive hereby waives any claim to such bonus or any portion thereof.

5.3 **Incentive Stock Plan:** The Executive shall be entitled to participate in the Company's incentive stock ownership plan (the "**Plan**"). All grants of stock options made to the Executive shall be at the sole discretion of the Board of Directors and shall be made in accordance with and subject to the terms of the Plan and a separate agreement or commitment evidencing the options shall be entered into concurrently with any such grant.

6. Travel and Expenses

6.1 The Executive acknowledges and agrees that the Executive's position with the Company may require him to travel from time to time. The Executive agrees to comply with any Company policies relating to travel that may be in effect from time to time.

6.2 The Company will reimburse the Executive for all reasonable travel and other out-of-pocket expenses actually incurred by the Executive directly related to the performance of the Services. The Executive will obtain prior approval for all expenses and will account for all expenses in accordance with the policies and directions provided by the Company.

7. Vacation

7.1 The Executive will be entitled to 3 weeks (15 days) of paid vacation per fiscal year. The vacation entitlement will be pro-rated for any partial year of service.

7.2 Vacation days must be taken and cannot be banked, deferred, or carried over. No payments will be made in lieu of unused vacation days, except as strictly required by the *Employment Standards Code,* C.C.S.M. c. E110, as amended.

7.3 Vacation must be taken at times agreed between the Company and the Executive, with consideration given to the staffing and operational needs of the Company. The Executive must obtain pre-approval for the vacation time by submitting a notice of vacation leave at least 30 days prior to such leave.

8. Termination

8.1 **Termination for Just Cause:** The Company may terminate the Executive's employment at any time for Just Cause, without any notice, payment in lieu of notice, or severance compensation.

8.2 **Resignation by Executive:** The Executive may resign from his employment by providing the Company with 30 days' notice in writing (the "**Resignation Notice Period**"). The Company may elect to waive such notice, in whole or in part, and have the Executive's employment terminate prior to the end of the Resignation Notice. In such circumstances, the Company will pay the Executive an amount equal to the pro-rata Base Salary he would have received had be remained actively employed by the Company until the end of the Resignation Notice Period.

8.3 **Termination Without Just Cause:** The Company may terminate the Executive's employment at any time and for any reason without Just Cause, by providing the Executive with 1 months' written notice, pay in lieu of notice, or any combination thereof. If the Company elects to provide the Executive with payment in lieu of notice pursuant to this Section, then the payment will be based only on the Executive's Base Salary at the time of termination, except as may be otherwise required under the *Employment Standards Code,* C.C.S.M. c. E110, as amended.

8.4 **Death of the Executive -** This Agreement will automatically terminate, without notice or payment in lieu of notice, upon the death of the Executive.

8.5 It is agreed and understood that provision of the notice or payment in lieu of notice upon termination as set out in **Section 8** of this Agreement shall constitute full and final satisfaction of any claim that the Executive may have arising from or relating to the termination of his employment, whether such claim arises under statute, contract, common law or otherwise. The Executive acknowledges and agrees that, upon provision of such notice or payments in lieu of notice, the Executive will have no entitlement to any further payments in relation to the termination of employment.

9. Suspension

9.1 Where the Company considers it necessary for the protection of its operational and business interests, it may require that the Executive undertake reduced or alternative duties consistent with his abilities or remain away from work, with pay, while it conducts an investigation into his conduct or performance. Any such action by the Company shall not constitute a breach of this Agreement, constructive dismissal or a termination of the Executive's employment with the Company.

9.2 The Company reserves the right to lay the Executive off from his employment under this Agreement temporarily in accordance with the provisions of the Act, and such temporary layoff will not constitute a breach of this Agreement, a constructive dismissal, or a termination of the Executive's employment with the Company.

10. Return of Materials

10.1 All documents and materials in any form or medium including, but not limited to, files, forms, brochures, books, correspondence, memoranda, manuals and lists (including lists of customers, suppliers, products and prices), all equipment and accessories including, but not limited to, computers, computer disks, software products, cellular phones and personal digital assistants, all keys, building access cards, parking passes, credit cards, and other similar items pertaining to the business of the Company that may come into the possession or control of the Executive will at all times remain the property of the Company. On termination of this Agreement for any reason, the Executive agrees to deliver promptly to the Company all property of the Company in the possession of the Executive or directly or indirectly under the control of the Executive. The Executive agrees not to make for the Executive's personal or business use or that of any other party, reproductions or copies of any such property or other property of the Company unless this agreement otherwise entitles the Executive to retain copies of such property.

11. Confidentiality, Non-Competition and Non-Solicitation

11.1 The Executive acknowledges and agrees that:

(a) in the course of performing the Executive's duties and responsibilities hereunder, the Executive has had and will continue in the future to have access to and has been and will be entrusted with detailed confidential information and trade secrets (printed or otherwise) concerning past, present, future and contemplated products, services, operations and marketing techniques and procedures of the Company, including, without limitation, information relating to the identity of, addresses, preferences, needs and requirements of past, present and prospective clients, customers, suppliers and employees of the Company (collectively, "**Trade Secrets**"), the disclosure of any of which to competitors of the Company or to the general public, or the use of same by the Executive or any competitor of the Company would be highly detrimental to the interests of the Company;

(b) in the course of performing the Executive's duties hereunder, the Executive has been, and will continue in the future to be, a representative of the Company to its customers, clients and suppliers and as such has had and will continue in the future to have significant responsibility for maintaining and enhancing the goodwill of the Company with such customers, clients and suppliers and would not have, except by virtue of the Executive's position with the Company, developed a close and direct relationship with the customers, clients and suppliers of the Company;

(c) the Executive, as an Officer of the Company owes fiduciary duties to the Company, including the duty to act in the best interests of the Company; and

(d) the right to maintain the confidentiality of the Trade Secrets, the right to preserve the goodwill of the Company and the right to the benefit of any relationships that have developed between the Executive and the customers, clients and suppliers of the Company by virtue of the Executive's position with the Company constitute proprietary rights of the Company, which the Company is entitled to protect.

11.2 In acknowledgement of the matters described above and in consideration of the payments to be received by the Executive pursuant to this Agreement, the Executive hereby agrees, at any time subsequent to the Effective Date, not to directly or indirectly disclose to any person or in any way make use of (other than for the benefit of the Company), in any manner, any of the Trade Secrets, provided that such Trade Secrets will be deemed not to include information that is or becomes generally available to the public other than as a result of disclosure directly or indirectly by the Executive. Notwithstanding the foregoing, the Executive will not be in violation of this Agreement and will have no liability to the Company for disclosing any Trade Secret when instructed to do so by the CEO of the Company.

11.3 Notwithstanding Section 11.2 above, the Executive may, if and solely to the extent required by lawful subpoena or other lawful process, disclose Trade Secrets but, to the extent possible, shall first notify the Company of each such requirement so that the Company may seek an appropriate protective order or waive compliance with the provisions of this Agreement. The Executive will co-operate fully with the Company, at the expense of the Company, in seeking any such protective order.

11.4 The Executive will not, directly or indirectly, during this Agreement and for 6 (six) months after the termination of this Agreement for any reason in any manner whatsoever:

(e) ***Non-Compete***: carry on, engage in, or hold any interest in any business or research program that is, or itself holds any interest in any business that competes with the Business of the Company anywhere in the Territory.

(f) ***Non-Solicitation***: solicit, interfere with or endeavor to entice away from the Company any of the Company's clients, customers, suppliers, prospective clients or customers with whom the Executive has dealt directly during the course of his tenure with the Company to to transfer their business from the Company to the Executive, or to transfer their business from the Company to the Executive, or any other person or entity.

(g) ***No Hire***: seek in any way to persuade or entice any person to terminate an employment or consulting position with the Company or hire or retain the services of any such person, provided that nothing in this provision shall prevent the Executive from directly or indirectly hiring or retaining any person pursuant to general, public job advertisements that are not targeted to Company personnel.

11.5 For the purposes of this Agreement:

a) **"Business"** of the Company means the business of drug repurposing.

b) **"Territory"** means the province of Manitoba.

11.6 The Executive agrees that:

(h) all restrictions contained herein are reasonable and valid in the circumstances and all defences to the strict enforcement thereof by the Company are hereby waived by the Executive,

(i) each of the restrictions contained herein are each separate and distinct covenants, severable one from the other and if any such covenant or covenants are determined to be invalid or unenforceable, such invalidity or unenforceability will attach only to the covenant or covenants as so determined and all other such covenants will continue in full force and effect, and

(j) monetary damages for any breach this Part would be inadequate for the immediate and irreparable harm that would be suffered by the Company for any such breach, and so, on any application to a court, the Company will be entitled to temporary and permanent injunctive relief against the Executive without the necessity of proving actual damage to the Company.

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Entire Agreement

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14.3 This Agreement shall be governed by the laws of Manitoba. The parties submit to the exclusive jurisdiction of the Courts of Manitoba to resolve any and all disputes arising from or in relation to this Agreement.

Severability

14.4 All paragraphs and covenants contained in this Agreement are severable, and in the event that any of them shall be held to be invalid, unenforceable, or void by a court of competent jurisdiction, such paragraphs or covenants shall be severed and the remainder of this Agreement shall remain in full force and effect.

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Consideration

14.9 The Executive acknowledges and agrees that this Agreement has been executed in exchange for an increase in Base Salary, payment of $1.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged. The Executive waives any and all defences relating to an alleged failure or lack of consideration in connection with this Agreement.

Assignment

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Time

14.12 Time shall be of the essence in this Agreement.

Validity

14.13 Where a party to this Agreement is a Corporation, the Officers and Directors thereof shall take all actions necessary to give full effect to the terms of this Agreement.

Counterparts

14.14 This Agreement may be executed in as many counterparts as may be necessary or by facsimile and each such counterpart or facsimile so executed are deemed to be an original and such counterparts and facsimile copies together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

ALGERNON PHARMACEUTICALS INC.

Per: */s/ Christopher J. Moreau*
Authorized Signatory

Authorized Signatory

Signed and Delivered by **DR. CHRISTOPHER BRYAN** in the presence of:

/s/ Chris Stillwell
Witness (Signature)

Chris Stillwell
Name (please print)

/s/ Christopher Bryan
DR. CHRISTOPHER BRYAN

Schedule "A"
Services

1. Manage and direct all aspects of the Company's preclinical research programs.
2. Manage and direct all aspects the Company's clinical research programs.
3. Manage and direct all of the Company's contract research organizations and all vendors.
4. Manage and direct the company's Medical & Scientific Advisory Board members and consultants.
5. Other duties as requested by the CEO from time to time.

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

DARTMOUTH COLLEGE
INTELLECTUAL PROPERTY LICENSE AGREEMENT

This Intellectual Property License Agreement (this "***Agreement***") by and between the Trustees of Dartmouth College ("***Dartmouth***") with an address at 11 Rope Ferry Road, Hanover, New Hampshire 03755, and Algernon Pharmaceuticals, Inc., a corporation with principal offices located at 915 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, Canada ("***Licensee***") is effective as of August 6, 2021 (the "***Effective Date***").

Background

WHEREAS, Dartmouth is an institution of research and higher education and, as a result, has gained certain rights to intellectual property; and

WHEREAS, Dartmouth desires that such intellectual property be developed and utilized to the fullest extent possible so that its benefits can be enjoyed by the general public; and

WHEREAS, to induce Dartmouth to enter into this Agreement and to grant the rights contemplated hereunder, Licensee has agreed under this Agreement to act diligently to develop and commercialize such intellectual property for public use in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of these statements and the mutual promises set forth below, and for other good and valuable consideration, Dartmouth and Licensee hereby agree to the following:

1. **Definitions**

1.1. "***Affiliate***" means, with respect to a party, any entity or person that directly or indirectly controls, is controlled by or is under common control with such party. For purposes of this definition, "control" means possession of the power to direct the management of such entity or person, including through ownership of more than fifty percent (50%) of voting securities, governing board voting rights, reserved powers, or by contract.

1.2. "***Change of Control***" means: (a) any transaction or series of related transactions (including, without limitation, any reorganization, share exchange, consolidation or merger of Licensee or Licensee's parent entity with or into any other entity but excluding any sale of equity securities by the Licensee or Licensee's parent entity undertaken primarily for capital raising purposes) (i) in which the holders of the Licensee's or Licensee's parent entity's outstanding voting equity securities immediately before the first such transaction do not, immediately after any other such transaction, retain stock or other equity interests representing at least fifty percent (50%) of the voting power of the surviving entity of such transaction or (ii) in which at least fifty percent (50%) of the Licensee's or Licensee's parent entity's outstanding voting equity securities are transferred; (b) an initial underwritten public offering of Licensee's or Licensee's parent entity's equity securities under the Securities Act of 1933, as amended; or any alternative transaction such as a reverse merger to become a publicly-traded entity; or (c) a sale, merger, consolidation or other disposition of all or substantially all of the assets of Licensee or Licensee's parent entity.

1.3. "***Confidential Information***" means all information disclosed by one party to the other during the negotiation of or under this Agreement in any manner, whether orally, visually or in tangible form, unless such information is subject to an exception described in Section 8.2, provided, however, that Confidential Information that is disclosed in tangible form shall be marked "Confidential" at the time of disclosure and Confidential Information that is disclosed orally or visually shall be identified as confidential at the time of disclosure and subsequently reduced to writing, marked confidential and delivered to the other party within thirty (30) days of such disclosure. Confidential Information shall include, without limitation, materials, know-how and data, technical or non-technical, trade secrets, inventions, methods and processes of a party, whether or not patentable.

1.4. "***Derivative***" means any revision, enhancement, modification, translation, abridgement, condensation, or expansion that is based on or incorporates any of the Licensed Patents or Licensed Know-How, in whole or in part.

1.5. "***Earned Royalty***" is defined in Section 5.4.

1.6. "***Effective Date***" is defined in the Preamble.

1.7. "***Field***" means Treatment of Human Cancer.

1.8. "***First Sale***" means mean the first sale to a third party of any Licensed Product in the Licensed Territory.

1.9. ***IND***" means an investigational new drug application filed with the United States Food and Drug Administration prior to beginning clinical trials in humans in the United States.

1.10. "***Insolvent***" means that (a) an involuntary proceeding shall have been commenced or an involuntary petition shall have been filed seeking (i) liquidation, reorganization or other relief in respect of Licensee or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy law or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Licensee or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for a period of ninety (90) days; (b) Licensee has voluntarily commenced bankruptcy, reorganization, receivership or insolvency proceedings, or any other proceeding under any Federal, state or other law for the relief of debtors; or (c) Licensee is unable to pay its debts as they become due.

1.11. "***Inventor***" means William G. North.

1.12. "***Inventor Agreement***" means a consulting or other agreement directly between Licensee and Inventor or (b) an entity controlled by Inventor.

1.13. "***License***" is defined in Section 2.1.1.

1.14. "***Licensed Know-How***" means all formulations, designs, technical information, know- how, show-how, knowledge, data, specifications, test results and other information, whether or not patented or patentable (collectively, "***Know-How***") which are known, learned, invented or developed by Inventor or Dartmouth as of the Effective Date to the extent that (a) the Know-How is required for the manufacture, use, development, testing, marketing, export, import, offer for sale or sale of any Licensed Product, and (b) Dartmouth possesses the right to license the use of the Know-How to Licensee for commercial purposes.

1.15. "***Licensed Patents***" means Dartmouth's ownership interest in the United States patents listed in**Appendix A**, any patent applications claiming priority to such patent applications, together with any continuations, divisionals, and continuations-in-part, to the extent the claims of any such patent or patent application are directed to subject matter specifically described in the patents listed on **Appendix A**; any reissues, re-examinations, or extensions thereof, or substitutes therefor; and any reissues, re-examinations, or extensions thereof, or substitutes therefor; and the relevant international equivalents of the foregoing.

1.16. "***Licensed Product***" means either: (a) any method, procedure, service, process or product (including any apparatus or kit) or component part thereof that practice of which or the manufacture, use, sale, import, export or practice of which would, in the absence of the License, infringe (including by contributory or inducement infringement) a Valid Claim of a Licensed Patent (each a "***Valid Claim Product***"); or (b) any method, procedure, service, process or product that incorporates, uses, is based upon, is derived from, or otherwise is conceived, developed or reduced to practice using any of the Licensed Patents or Licensed Know-How.

1.17. "***Licensed Territory***" means the United States of America.

1.18. "***NDA***" or "***BLA***" means a New Drug Application or a Biologics License Application filed with the U.S. Food and Drug Administration to obtain marketing approval for a Licensed Product in the United States.

1.19. "***Net Sales***" means the gross amount received from the sale or transfer of the Licensed Products, or from services performed using or constituting Licensed Products by Licensee or its Sublicensees or Affiliates, or any other party authorized by Licensee to sell Licensed Products to third parties, less the following deductions, provided such deductions actually pertain to the disposition of the Licensed Products and are separately invoiced:

(i) all discounts, credits and return allowances, including rebates granted to managed health care or governmental organizations;

(ii) transportation and insurance charges and costs; and

(iii) duties, taxes and other governmental charges levied on the sale, transportation, delivery or practice of Licensed Products, but not including income taxes.

No deductions shall be made for any other costs or expenses, including but not limited to commissions to independents, agents or those on Licensee's, Sublicensee's or Licensee's Affiliate's payroll or for the cost of collection. Net Sales shall not include the gross invoice price for Licensed Products sold to, or services performed using Licensed Products for, any Affiliate of Licensee unless such Affiliate is an end-user of any Licensed Product, in which case such consideration shall be included in Net Sales at the average selling price charged to a third party during the same quarter.

1.20. "***Patent Challenge***" means a challenge or opposition to the validity, patentability, enforceability and/or non-infringement of any of the Licensed Patents or otherwise opposing any of the Licensed Patents.

1.21. "***Phase I/II Clinical Trial***" means a combined Phase I Clinical Trial and Phase II Clinical Trial conducted to evaluate the safety, side effects, and best dose of a drug.

1.22. "***Phase II Clinical Trial***" means a human clinical trial conducted to evaluate the effectiveness of a drug for a particular indication in patients with a disease and to determine the common short-term side effects and risks associated with the drug as defined in 21 C.F.R §312.21(b) and as practiced according to the standards of the pharmaceutical industry.

1.23. "***Phase III Clinical Trial***" means expanded controlled and uncontrolled human clinical trials performed after receipt of evidence from Phase II Clinical Trial(s) suggesting the effectiveness of an investigational new drug, as defined by 21 C.F.R §312.21(c), and as practiced according to the standards of the pharmaceutical industry for a Phase III clinical trial and prior to the filing of an NDA or comparable request for marketing approval.

1.24. "***Pivotal Trial***" means a controlled human clinical trial to evaluate the safety and efficacy of a Licensed Product in which data are sufficient to form the basis for the filing of an NDA or BLA. A Pivotal Trial may not necessarily be a Phase III Clinical Trial.

1.25. "***Reasonable Commercial Efforts***" means documented efforts that are consistent with those utilized by companies of similar size and type that have successfully developed products and services similar to Licensed Products. In determining Reasonable Commercial Efforts with respect to a particular Licensed Product, Licensee may not reduce such efforts due to the competitive, regulatory or other impact of any other product or method that it owns or licenses, or is developing or commercializing.

1.26. "***Sublicense***" means the grant by Licensee or Affiliate of Licensee to a third party of a sublicense, cross-license, option, or other right, license, privilege or immunity to practice Licensed Patents or Licensed Know-How or to make, have made, use, sell, have sold, distribute, practice, import or export Licensed Products.

1.27. "***Sublicense Income***" means consideration in any form received by Licensee or an Affiliate of Licensee in connection with a grant by Licensee or an Affiliate of Licensee to any Sublicensee of a Sublicense, including any license signing fee, license maintenance fee, any fee or other payment pursuant to an option to Sublicense, unearned portion of any minimum royalty payment received by Licensee, distribution or joint marketing fee, research and development funding in excess of Licensee's cost of performing such research and development, any consideration received for an equity interest in or other equity investment in Licensee to the extent such consideration exceeds the fair market value of the equity or other equity investment interest as determined by an independent appraiser mutually agreeable to the parties, the fair market value of any cross-license, and any other consideration of any form, type or kind received by Licensee or any Affiliate of Licensee. Sublicense Income shall also include the amount of any extension of credit or loan to Licensee by such Sublicensee or its affiliate to the extent that such loan is forgiven by such Sublicensee or its affiliate. Notwithstanding any other provision set forth herein, Sublicense Income shall expressly exclude all consideration (a) included within Earned Royalties or Net Sales by any Sublicensee and (b) paid to Licensee or an Affiliate of Licensee or their successors and permitted assigns or their stockholders or members pursuant to a bona fide financing or a Change of Control.

1.28. "***Sublicensee***" means any third party that receives a Sublicense from Licensee or any Affiliate of Licensee.

1.29. "***Term***" is defined in Section 2.4.

1.30. "***Valid Claim***" means with respect to a particular territory, a pending, or issued and unexpired claim of a Licensed Patent in such territory so long as such claim shall not have been irrevocably abandoned or declared to be invalid in a non-appealable decision of a court or other authority of competent jurisdiction in such territory through no fault or cause of Licensee.

2. **License Grant and Term**

2.1. Subject to the terms and conditions of this Agreement, Dartmouth hereby grants to Licensee:

2.1.1. An exclusive, royalty-bearing license, subject to the reservation of rights by Dartmouth set forth in Section 2.3, under the Licensed Patents to make, have made, use, develop, sell, have sold, perform, practice, import and export Licensed Products within the Field in the Licensed Territory (the "***License***").

2.1.2. A non-exclusive, royalty bearing license to use the Licensed Know-How to the extent necessary to make, have made, use, develop, sell, have sold, perform, practice, import and export Licensed Products within the Field in the Licensed Territory.

For clarity, License may, in its sole discretion, sublicense its rights hereunder to an Affiliate of Licensee, and such Affiliate of Licensee shall not be deemed a "Sublicensee".

2.2. To the extent that any invention included within the Licensed Patents has been funded in whole or in part by the United States government, the United States government retains certain rights in such invention as set forth in 35 U.S.C. §200-212 and all regulations promulgated thereunder, as amended, and any successor statutes and regulations (the "***Federal Patent Policy***"). As a condition of the License granted hereby, Licensee acknowledges and shall and shall cause its Affiliates and Sublicensees to comply with all aspects of the Federal Patent Policy that are applicable to the Licensed Patents, including any obligation that Licensed Products used or sold in the United States be manufactured substantially in the United States. Nothing contained in this Agreement obligates or shall obligate Dartmouth to take any action that would conflict in any respect with its past, current or future obligations to the United States government under the Federal Patent Policy with respect to the Licensed Patents.

2.3. The License is expressly made subject to Dartmouth's reservation of the right, on behalf of itself and all other non-profit academic research institutions and governmental institutions, to:

(a) make, use and practice the Licensed Patents and Licensed Products for research, clinical, teaching or other non-commercial purposes, and not for purposes of commercial development, use, manufacture or distribution; and

(b) subject to the confidentiality provisions set forth in Section 8, publish or otherwise disseminate any information about Licensed Patents or Licensed Know-How at any time.

2.4. Unless terminated earlier as provided in Section 13, the term of this Agreement (the ***"Term"***) shall commence on the Effective Date and shall automatically expire on the date on which the last of the Valid Claims in the Licensed Patents in the Licensed Territory expires, lapses or is declared to be invalid by a non-appealable decision of a court or other authority of competent jurisdiction through no fault or cause of Licensee.

2.5. Except as expressly provided herein, nothing in this Agreement shall be construed to grant, by implication or estoppel, any licenses under patents of Dartmouth other than the Licensed Patents. Except as expressly provided in this Agreement, under no circumstances will Licensee, as a result of this Agreement, obtain any interest in or any other right to any technology, know-how, patents, patent applications, materials or other intellectual or proprietary property of Dartmouth.

3. **Sublicenses**

3.1. Upon receipt of Dartmouth's prior written consent, Licensee or Affiliate of Licensee shall have the right to grant, to a third party, a Sublicense in the Field and in the Licensed Territory during the Term, but only to the extent that and during the period of time that the License is exclusive; provided that Licensee or Affiliate of Licensee shall:

(a) not receive or agree to receive anything of value in lieu of cash as consideration under such Sublicense without the prior written consent of Dartmouth;

(b) ensure that the protections and benefits provided to Dartmouth hereunder are not diminished under the Sublicense;

(c) prohibit any further sublicenses by the Sublicensee;

(d) obligate each Sublicensee to carry insurance and indemnify Dartmouth to the same extent as Licensee's obligations under this Agreement;

(e) make no warranties or representations on behalf of Dartmouth nor agree to any liability on behalf of Dartmouth;

(f) include in the Sublicense that, upon the expiration or termination of this Agreement for any reason, Dartmouth, at its sole discretion, may take any of the following actions: terminate the Sublicense, accept assignment of the Sublicense from Licensee, or reissue the license directly to Sublicensee from Dartmouth on reasonable terms and conditions to be negotiated in good faith; and

(g) provide Dartmouth with a true and complete copy of each sublicense agreement (and all amendments thereof) promptly after execution; provided that such agreements and amendments may be redacted to remove sensitive information of Sublicensee so long as the redacted copy contains sufficient detail for Dartmouth to ensure that the Sublicense does not materially diminish the protections and benefits afforded to Dartmouth under this Agreement, and includes the above-listed requirements.

3.2. Licensee shall remain responsible for the performance of all Sublicensees under any such Sublicense as if such performance were carried out by Licensee itself, including, without limitation, the payment of all royalties and other payments provided for hereunder, regardless of whether the terms of any Sublicense provide for such amounts to be paid by the Sublicensee to Licensee, Affiliate of Licensee, or directly to Dartmouth.

3.3. Licensee agrees that it has sole responsibility to promptly: (a) notify Dartmouth in writing of termination of any Sublicense; and (b) summarize and deliver copies of all reports provided to Licensee by Sublicensees, as redacted for any sensitive information of the Sublicensees.

4. **Due Diligence**

4.1. Licensee shall design a plan for developing and commercializing the Licensed Patents that includes a description of research and development, testing, government approval, manufacturing, marketing and sale or lease of Licensed Products (the "***Plan***"). A copy of the Plan is attached to this Agreement as **Appendix B** and incorporated herein by reference.

4.2. Licensee shall use Reasonable Commercial Efforts, within sixty (60) days after the Effective Date, to implement the Plan at its sole expense, and to diligently commercialize and develop markets for the Licensed Products within the Licensed Territory and in accordance with the Plan.

4.3. Within thirty (30) days after each anniversary of the Effective Date, or more often in the event of a material change to the Plan, Licensee shall provide Dartmouth with an updated and revised copy of the Plan, which shall indicate Licensee's progress to date, and a forecast and schedule of events covering the following twelve (12) months. Such updated Plan shall clearly indicate which of Licensee's products or services are Licensed Products, which Valid Claims, if any, claim such Licensed Product, and which of Licensee's products or services are Valid Claim Products.

4.4. Within thirty (30) days following any assignment by Licensee pursuant to Section 16.4, the assignee shall provide Dartmouth with an updated and revised copy of the Plan.

4.5. Licensee shall provide sixty (60) days advance written notice to Dartmouth in the event Licensee intends to abandon research, development and/or marketing of any Licensed Product.

4.6. It is the desire of both Dartmouth and Licensee to make Licensed Products available in the developing world, and it is the parties' common desire for Licensee to develop Licensed Products that are clinically and economically suited for use in those areas. To that end, Dartmouth and Licensee agree that Licensee shall use Reasonable Commercial Efforts to facilitate the availability of Licensed Products in low and lower-middle income countries (as defined by the World Bank) at locally affordable prices to improve access to such Licensed Products in such countries. Solely by way of example and not of limitation, Licensee may:

(a) offer Licensed Products for sale in low and lower-middle income countries at a price that is equal to Licensee's actual cost to manufacture and distribute such Licensed Products;

(b) make donations in the form of Licensed Products to governments in low income and lower-middle income countries, not-for-profit charitable organizations (such as Doctors without Borders), or other such organizations, for the purpose of treating patients in low income or lower-middle income countries; or

(c) take such other reasonable actions in support of each party's goal of making Licensed Products available in the developing world.

4.7. Unless otherwise agreed to in writing by the parties, Dartmouth shall be entitled to terminate this Agreement upon the occurrence of any of the following:

(a) Licensee fails to provide the written reports as provided in Sections 4.1 or 4.3, and does not cure such failure within sixty (60) days after Licensee's receipt of written notice thereof from Dartmouth;

(b) Licensee gives notice pursuant to Section 4.5; or

(c) Licensee or Affiliate of Licensee has failed to:

(i) file an IND for a Licensed Product, or has failed to cause an IND to be filed for a Licensed Product, within two (2) years after the Effective Date; or

(ii) following the filing of an IND for a Licensed Product, demonstrate ongoing clinical development of such Licensed Product, which shall be evidenced by the failure to conduct at least one of the following activities in any given twelve (12) month period starting from the date of such IND filing and ending upon the First Sale in the United States:

(A) having manufactured a Licensed Product suitable for clinical trials under an approved IND;

(B) having actively engaged in study preparation, implementation, results analysis or reporting of a Phase I Clinical Trial, Phase I/II Clinical Trial, Phase II Clinical Trial, Phase III Clinical Trial, or Pivotal Clinical Trial with respect to a Licensed Product underway;

(C) having filed an NDA or BLA for a Licensed Product in the United States;

(D) following NDA or BLA approval of a Licensed Product, having launched or sold a Licensed Product in the United States.

5. **Consideration.**

5.1. License Issuance Fee. Licensee shall pay to Dartmouth within ten (10) days after the Effective Date a one-time lump sum non-refundable license issue fee of [****]**.**

5.2. License Maintenance Fee. Licensee shall pay to Dartmouth an annual license maintenance fee (the "***LMF***") of [****], which shall be due on the first anniversary of the Effective Date and every anniversary of the Effective Date thereafter. Licensee shall continue to pay the LMF until the end of the Term.

5.3. Milestone Fees. Licensee shall pay to Dartmouth the following milestone fee for each Licensed Product developed by Licensee, a Sublicensee, or an Affiliate of Licensee:

(a) a non-refundable milestone fee of [****] upon Licensee's receipt of NDA or BLA approval in the United States.

5.4. Earned Royalty. As partial consideration for the License, Licensee shall pay to Dartmouth an earned royalty on worldwide cumulative Net Sales of Licensed Products by Licensee, the Sublicensees or Affiliates of Licensee ("***Earned Royalty***") of [****].

None of the License Issue Fee set forth in Section 5.1, the LMF set forth in Section 5.2, nor the milestone fees set forth in Section 5.3 shall be credited against Earned Royalties payable under Section 5.4.

5.5. Minimum Royalty Payment. Licensee agrees to pay to Dartmouth an annual Minimum Royalty Payment ("***MRP***") of [****], payable for each calendar year commencing on the first January 1 to occur after the date of the First Sale and continuing on each January 1 thereafter. Licensee shall continue to pay the MRP until the end of the Term. With respect to each calendar year in which a MRP is payable hereunder, Licensee shall pay to Dartmouth twenty-five percent (25%) of such MRP within thirty (30) days after the end of each calendar quarter in such calendar year. Dartmouth shall fully credit each MRP made against any Earned Royalties due and payable by Licensee in the same calendar year.

5.6. Sublicense Income Fee. Licensee shall pay to Dartmouth a percentage of any Sublicense Income received by Licensee, as and when received by Licensee, as follows:

Event	Percentage of Sublicense Income
Sublicense Income received by Company prior to initiation of a Phase I clinical trial or Phase I/II clinical trial by Company, sublicensees or Company's Affiliates of a Licensed Product	[****]
Sublicense Income received by Company after the initiation of a Phase I clinical trial or Phase I/II clinical trial for a Licensed Product but prior to initiation of the first Phase III clinical trial or Pivotal Clinical Trial by Company, sublicensee or Company's Affiliates of a Licensed Product	[****]
Sublicense Income received by Licensee after initiation of the first Phase III clinical trial or pivotal clinical trial by licensee, sublicensee or Company's Affiliates of a Licensed Product	[****]

5.7. Timing of Payments. Licensee shall pay, or cause to be paid, all Earned Royalties accruing to Dartmouth within thirty (30) days from the end of each calendar quarter (March 31, June 30, September 30 and December 31), beginning in the first calendar quarter in which Net Sales occur. Licensee shall report all Earned Royalties and other payments accruing to Dartmouth on a quarterly basis, but shall defer payments accruing to Dartmouth that do not, in total, exceed [****] in any given quarter until the earlier of (a) the end of the calendar year, or (b) the quarter upon which the cumulative accrued Earned Royalties or other payments exceed [****].

5.8. Payment Currency; Interest; Collection. All payments due under this Agreement shall be paid by Licensee to Dartmouth in United States Dollars. In the event that conversion from foreign currency is required in calculating a payment under this Agreement, the exchange rate used shall be the Interbank rate quoted by Citibank at the time the payment is due. If overdue, all payments due to Dartmouth under this Agreement shall bear interest until payment at a per annum rate two hundred basis points above the prime rate in effect at Citibank on the due date and Dartmouth shall be entitled to recover from Licensee reasonable attorneys' fees and costs related to the collection of any payments due Dartmouth hereunder following Licensee's failure to pay. The payment of such interest shall not foreclose Dartmouth from exercising any other right it may have as a consequence of the failure of Licensee to make any payment when due. If Licensee is required by law to withhold any tax from the payment of royalties to Dartmouth, Licensee will, at Dartmouth's request, provide documentation showing that the amount withheld was paid to the appropriate tax authorities.

6. **Patent Costs.**

6.1. Upon execution of this Agreement, Licensee shall reimburse Dartmouth for all patent

costs paid by or invoiced to Dartmouth on or before the Effective Date, which amount as of the Effective Date is [****].

6.2. Licensee shall reimburse Dartmouth for all patent costs incurred by Dartmouth after the Effective Date within thirty (30) days following the date an invoice is sent from Dartmouth to Licensee in respect of such patent costs. At Dartmouth's request, Licensee will receive invoices directly from Dartmouth's patent counsel for all patent costs invoiced after the Effective Date and will timely pay all such invoices. Dartmouth will receive copies of all invoices. Failure to timely pay patent costs is a breach of this Agreement.

6.3 The costs described in Sections 6.1 and 6.2 shall include, but are not limited to, any past, present and future taxes, annuities, working fees, maintenance fees, renewal and extension charges.

7. **Patent Challenges**

7.1. In the event that Licensee or any of its Affiliates or Sublicensees brings a Patent Challenge in the Licensed Territory, or Licensee or any of its Affiliates or Sublicensees assists another party in bringing a Patent Challenge in the Licensed Territory (except as required under a court order or subpoena), then the following provisions shall apply:

(a) All payments due to Dartmouth under this Agreement, other than patent costs, shall be tripled during the pendency of such Patent Challenge and shall remain payable to Dartmouth when due; provided that, notwithstanding the foregoing, if a First Sale has been made in the Licensed Territory, then only Earned Royalties due in the Licensed Territory shall be tripled during the pendency of such Patent Challenge.

(b) If such Patent Challenge is inconclusive or results in a determination that at least one challenged claim is both valid and infringed, (i) all payments due to Dartmouth under this Agreement, other than patent costs, shall be tripled for the remainder of the Term; provided that, notwithstanding the foregoing, once a First Sale has been made in the Licensed Territory, then only Earned Royalties due in the Licensed Territory shall be tripled, and (ii) Licensee shall promptly reimburse Dartmouth for all legal fees and expenses incurred in Dartmouth's defense against such Patent Challenge.

(c) In the event that such Patent Challenge is successful, Licensee will have no right to recoup any payments made prior to the final, non-appealable determination of a court of competent jurisdiction.

7.2. Neither Licensee nor any of its Affiliates or Sublicensees shall bring a Patent Challenge without first providing Dartmouth at least thirty (30) days prior written notice setting forth (a) precisely which claims and patents are being challenged or claimed not to be infringed, (b) a clear statement of the factual and legal basis for the challenge, and (c) an identification of all prior art and other matter believed to invalidate any claim of the Licensed Patent or which supports the claim that the Licensed Patent is not infringed.

8. **Confidentiality and Publicity**

8.1. Subject to the parties' rights and obligations pursuant to this Agreement, Dartmouth and Licensee agree that during the Term and for five (5) years thereafter, the recipient of the other party's Confidential Information:

(a) will keep confidential and will cause its Affiliates, Sublicensees and its and their respective employees, agents, contractors and associate (collectively, "***Representatives***") that have access to the disclosing party's Confidential Information to keep confidential such Confidential Information by taking whatever action the recipient would take to preserve the confidentiality of its own Confidential Information, which in no event shall be less than reasonable care; and

(b) may disclose the disclosing party's Confidential Information to its Representatives that need such Confidential Information to fulfill the obligations set forth in this Agreement; provided that all such Representatives shall be bound by confidentiality restrictions at least as stringent as those set forth herein with respect to the disclosing party's Confidential Information; and provided further that recipient shall be responsible for the breach of the confidentiality obligations hereunder by its Representatives; and

(c) will not use the other party's Confidential Information other than as expressly permitted or contemplated by this Agreement or disclose the other party's Confidential Information to any third parties except as expressly permitted or contemplated by this Agreement without advance written permission from the other party; and

(d) will, within thirty (30) days of termination of this Agreement, return all the Confidential Information disclosed to it by the other party pursuant to this Agreement except for one copy which may be retained by the recipient for monitoring compliance with this Section 8.1 and any surviving clauses.

8.2. The obligations of confidentiality described above shall not pertain to that part of the Confidential Information that:

(a) is shown to have been known to without restriction or developed by the recipient prior to the disclosure by the disclosing party as evidenced by recipient's competent written records; or

(b) is at the time of disclosure or has become thereafter publicly known through no fault or omission attributable to the recipient; or

(c) is rightfully given to the recipient from sources independent of the disclosing party without restriction; or

(d) is independently developed by recipient without use of or access to the Confidential Information of the disclosing party as shown by the competent written records of recipient.

8.3. In the event Confidential Information is required to be disclosed by law, regulation, court order or other legal requirement that purports to compel disclosure of any Confidential Information, recipient will promptly notify the disclosing party upon learning of any such legal requirement, and cooperate with the disclosing party in the exercise of its right to protect the confidentiality of its Confidential Information before any tribunal or governmental agency. If recipient is required by law to disclose Confidential Information, recipient shall (a) disclose only such Confidential Information as is specifically required,
(b) disclose only to such persons as specifically required, and (c) use reasonable efforts to obtain confidential treatment for any Confidential Information that is disclosed.

8.4. The financial terms of this Agreement constitute Confidential Information of each of the parties.

8.5. Notwithstanding any other provision set forth herein, Licensee shall be permitted to disclose Dartmouth's Confidential Information and this Agreement to any potential financing source, acquirer, sublicensee or strategic partner as long as such person or entity has executed a confidentiality agreement with Licensee that contains confidentiality provisions at least as stringent as those contained herein with respect to Dartmouth's Confidential Information.

9. **Reports, Records and Inspections; Compliance with Law**

9.1. Reports. Licensee shall (i) within thirty (30) days after the end of each calendar year; and
(ii) from and after Net Sales first occur, within thirty (30) days after each calendar quarter, provide Dartmouth with a written report detailing the Net Sales made by Licensee, its Sublicensees and Affiliates of Licensee on Licensed Products during the preceding calendar quarter and calculating the payments due pursuant to Section 5. Net Sales of Licensed Products shall be deemed to have occurred when Licensee receives the Net Sales for such Licensed Products. Each such report shall be signed by an officer of Licensee (or the officer's designee), and must include:

(a) the number or amount, as appropriate, of Licensed Products manufactured, sold or otherwise transferred by Licensee, Sublicensees and Affiliates of Licensee;

(b) a calculation of Net Sales for the applicable reporting period in each country, including the gross invoice prices charged for the Licensed Products and any permitted deductions made pursuant to Section 1.19;

(c) a calculation of all royalties or other payments due hereunder, including any exchange rates used for conversion; and

(d) names and addresses of all Sublicensees and the type and amount of any Sublicense Income received from each Sublicensee;

(e) identification of any milestone event that occurred since the date of the last report and the date of such occurrence; and

(f) identification of any changes in Inventor Agreement that went into effect during the previous reporting period.

9.2. Records. Licensee, Sublicensees, and Affiliates of Licensee shall keep and maintain complete and accurate records and books containing an accurate accounting of all data in sufficient detail to enable verification of all royalties and other payments due Dartmouth under this Agreement. Licensee shall preserve such books and records for three (3) years after the calendar year to which they pertain. Such books and records shall be open to inspection by Dartmouth or an independent certified public accountant selected by Dartmouth, at Dartmouth's expense, during normal business hours upon ten (10) business days' prior written notice, for the purpose of verifying the accuracy of the reports and computations rendered by Licensee. In the event Licensee underpaid the amounts due to Dartmouth with respect to the audited period by more than five percent (5%), Licensee shall pay the reasonable cost of such examination, together with the deficiency not previously paid and interest from the due date of such payment, calculated at the rate set forth in Section 5.7, within thirty (30) days of receiving notice thereof from Dartmouth.

9.3. Financial Statements. On or before the one hundred and twentieth (120^{th}) day following the close of Licensee's fiscal year, Licensee shall provide Dartmouth with Licensee's financial statements for the preceding fiscal year including, at a minimum, a balance sheet and an income statement and, if Licensee's financial statements for such year have been audited, Licensee shall provide such audited financial statements to Dartmouth.

9.4. Export Compliance. Licensee represents and warrants that it will comply, and will cause its Sublicensees and Affiliates to comply with all applicable local, state, federal and international laws and regulations relating to the development, manufacture, use, sale and importation of Licensed Products. Without limiting the foregoing, Licensee represents and warrants on behalf of itself and its Sublicensees and Affiliates, that they shall comply with all United States laws and regulations controlling the export of certain commodities and technical data, including without limitation all Export Administration Regulations of the United States Department of Commerce, and all other export control laws and regulations. Licensee agrees to be responsible for any violation of such laws and regulations by itself or its Sublicensees or Affiliates, and further agrees to indemnify, defend and hold the Indemnitees (as defined below) harmless, in accordance with Sections 14.4 and 14.5, for the consequences of any such violation.

10. **Patent Protection**

10.1. Any and all United States patent applications, and resulting issued patents contained in the Licensed Patents, shall remain the property of Dartmouth.

10.2. All patent applications under the Licensed Patents shall be prepared, prosecuted, filed and maintained by independent patent counsel chosen by Dartmouth and reasonably acceptable to Licensee. The independent patent counsel shall be ultimately responsible to Dartmouth. Dartmouth shall instruct patent counsel to keep both Dartmouth and Licensee fully informed of the progress of all patent applications and patents, and to give both Dartmouth and Licensee reasonable opportunity to comment on the type and scope of useful claims and the nature of supporting disclosures. Dartmouth will not finally abandon any patent application for which Licensee is bearing expenses without Licensee's prior written consent. Dartmouth shall have no liability to Licensee for damages, whether direct, indirect, incidental, consequential or otherwise, allegedly arising from its good faith decisions, actions and omissions in connection with such prosecution.

10.3. Licensee shall mark, and shall require Affiliates of Licensee and Sublicensees to mark, all Valid Claim Products that are tangible products with the numbers of all Licensed Patents that cover the Valid Claim Products. Without limiting the foregoing, all Valid Claim Products shall be marked in such a manner as to conform with the patent marking notices required by the laws, regulations or guidelines effective in any country where such Valid Claim Products are made, sold, used or shipped.

11. **Infringement and Litigation**

11.1. Each party shall promptly notify the other party in writing in the event that it obtains knowledge of infringing activity by third parties, or is sued or threatened with an infringement suit, in any country in the Licensed Territory as a result of activities that concern the Licensed Patents, and shall supply the other party with documentation of the infringing activities that it possesses.

11.2. During the Term:

(a) Licensee shall have the first right to defend the Licensed Patents against infringement or challenges in the Field and in the Licensed Territory by third parties, which includes bringing any legal action for infringement and defending any counter claim of invalidity or action of a third party for declaratory judgment for non-infringement or non-challenge. If, in the reasonable opinion of both Licensee's and Dartmouth's respective counsel, Dartmouth is required to be a named party to any such suit for standing purposes, Licensee may join Dartmouth as a party; provided, however, that (i) Dartmouth shall not be the first named party in any such action, (ii) the pleadings and any public statements about the action shall state that the action is being pursued by Licensee and that Licensee has joined Dartmouth as a party, and (iii) Licensee shall keep Dartmouth reasonably apprised of all developments in any such action. Licensee may settle such suits solely in its own name and solely at its own expense and through counsel of its own selection; provided, however, that no settlement shall be entered without Dartmouth's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed. Without limiting the foregoing, Dartmouth may withhold its consent to any settlement that would in any manner constitute or incorporate an admission of liability by Dartmouth or require Dartmouth to take or refrain from taking any action. Licensee shall bear the expense of such legal actions. Except for providing reasonable assistance, at the request and expense of Licensee, Dartmouth shall have no obligation regarding the legal actions described in Section 11.2 unless required to participate by law. However, Dartmouth shall have the right to participate in any such action through its own counsel and at its own expense. Any recovery shall first be applied to Licensee's out of pocket expenses and second shall be applied to Dartmouth's out of pocket expenses, including legal fees. With respect to any excess recovery received by Licensee after the payment of such out-of-pocket expenses that constitute damages for lost sales of Licensed Products, such recovery shall be treated as Net Sales for which Dartmouth shall be paid Earned Royalties. Any excess recovery received by Licensee after the payment of such out-of-pocket expenses that does not constitute damages for lost sales of Licensed Products (including treble or punitive damages) shall be treated as Sublicense Income.

(b) In the event Licensee fails to initiate and pursue or participate in the actions described in Section 11.2(a) in a particular country within sixty (60) days after (a) notification of infringement from Dartmouth, or (b) the date Licensee otherwise first becomes aware of an infringement, whichever is earlier, Dartmouth may, in its sole discretion, convert the License granted in Section 2 solely with respect to such particular country to a nonexclusive license, and issue licenses to third parties under the Licensed Patents to make, have made, use, sell, have sold, import, export, or practice Licensed Products within the Field in such particular country. Additionally, Dartmouth shall have the right to initiate such legal action at its own expense and Dartmouth may use the name of Licensee as party plaintiff to uphold the Licensed Patents. In such case, Licensee shall provide reasonable assistance to Dartmouth if requested to do so. Dartmouth may settle such actions solely through its own counsel. Any recovery shall be retained by Dartmouth. This Section 11.2(b) shall be of no force or effect during any such period in which a valid Sublicense with respect to the Licensed Patents is in effect; provided that Licensee hereby agrees during any such period to use commercially reasonable efforts, itself or through its Sublicensees, to enforce the Licensed Patents against infringers, and in the event that neither Licensee nor a relevant Sublicensee intends to take action to terminate an ongoing infringement after written request of Dartmouth to do so, Licensee and/or its relevant Sublicensee shall discuss in good faith with Dartmouth actions to be taken to address Dartmouth's reasonable concerns.

(c) In the event Licensee is permanently enjoined from exercising its License under this Agreement pursuant to an infringement action brought by a third party, or if both Licensee and Dartmouth elect not to undertake the defense or settlement of a suit alleging infringement for a period of six (6) months from notice of such suit, then Dartmouth shall have the right to remove the applicable Licensed Patent in the country where the suit was filed from the scope of this Agreement following thirty (30) days' written notice to Licensee. This Section 11.2(c) shall be of no force or effect during any such period in which a valid Sublicense with respect to the Licensed Patents is in effect.

(d) Notwithstanding the foregoing, neither Licensee nor Dartmouth shall take any action to enforce the Licensed Patents in low income and lower-middle income countries (as designated by the World Bank (www.worldbank.org)) where such action is intended to prevent the sale of Licensed Products in any such countries. However, Licensee and/or Dartmouth may take such action in any such country, provided that such action is intended to prevent the manufacturing of Licensed Products for export to countries that are not low income countries.

12. **Use of Dartmouth's Name**

12.1. Licensee shall not use the name "Dartmouth" or "Dartmouth College," nor any variation or adaptation thereof, nor any trademark, tradename or other designation owned by Dartmouth, nor the names of any of its trustees, officers, faculty, students, employees or agents, for any purpose without the prior written consent of Dartmouth in each instance, such consent to be granted or withheld by Dartmouth in its sole discretion, except that Licensee may state that it has licensed from Dartmouth one or more of the patents and/or applications comprising the Licensed Patents.

13. **Termination**

13.1. Dartmouth shall have the right to terminate this Agreement upon written notice to Licensee as provided in Section 4.7, or in the event Licensee:

(a) fails to make any payment whatsoever due and payable pursuant to this Agreement unless Licensee shall make all such payments within the ten (10) day period after receipt of written notice to do so from Dartmouth;

(b) breaches its other obligations under this Agreement, and such breach is not cured within the thirty (30) day period after receipt of written notice of such breach from Dartmouth; or

(c) fails to obtain or maintain adequate insurance as described in Section 14.6 within the thirty (30) day period after receipt of written notice from Dartmouth.

13.2. This Agreement shall terminate automatically without any notice to Licensee in the event Licensee becomes Insolvent.

13.3. Licensee shall have the right to terminate this Agreement upon written notice to Dartmouth:

(a) at any time on six (6) months' notice to Dartmouth, provided that payment of all amounts due to Dartmouth through the effective date of termination has been made;

(b) in the event that Dartmouth breaches any of its obligations in Sections 2.1, 2.5 or 8 and such breach is not cured within the thirty (30) day period after receipt of written notice of such breach from Licensee.

13.4. Upon termination of this Agreement, for any reason, all rights and licenses granted to Licensee under the terms of this Agreement are terminated. Upon such termination, Licensee shall cease to make, have made, use, develop, sell, have sold, perform, practice, import and export Licensed Products. Within forty-five (45) days of the effective date of termination, Licensee shall return to Dartmouth:

(a) all materials relating to or containing the Licensed Patents or Confidential Information disclosed by Dartmouth;

(b) the last report required under Section 3 or Section 9; and

(c) all payments incurred up to the effective date of termination.

13.5. Termination of this Agreement shall not affect the rights or obligations accrued prior to the effective date of such termination and specifically Licensee's obligation to pay all royalties and other payments specified by Section 5 that have accrued prior to the effective date of such termination. Termination of this Agreement shall not terminate or otherwise affect any Sublicense previously provided or granted by Licensee, provided that Dartmouth's obligations and responsibilities under such Sublicenses would not be materially different than its obligations and responsibilities under this Agreement, and further provided that Dartmouth is entitled to receive the payments otherwise payable to Licensee under such Sublicenses. The following provisions shall survive any termination: Sections 1, 2.5, 5.7, 5.8, 8, 9.2 - 9.4, 12, 13.4 - 13.8, and 14 - 16. Section 14.6 shall survive for ten (10) years past the last sale of any Licensed Product. The parties agree that claims giving rise to indemnification may arise after the Term or termination of the License granted herein.

13.6. The rights provided in this Section 13 shall be in addition and without prejudice to any other rights, whether at law or in equity, which the parties may have with respect to any default or breach of the provisions of this Agreement.

13.7. Waiver by either party of one or more defaults or breaches shall not deprive such party of its right with respect to any subsequent default or breach.

13.8. Upon termination of this Agreement for any reason other than breach by Dartmouth, Licensee shall permit Dartmouth and its future licensees to utilize, reference and otherwise have the benefit of all regulatory approvals of, or clinical trials or other studies conducted on, and all filings made with regulatory agencies with respect to, the Licensed Products. In addition, at Dartmouth's request, Licensee shall deliver to Dartmouth within three (3) months of such request all records required by regulatory authorities to be maintained with respect to the sale, storage, handling, shipping and use of the Licensed Products, all reimbursement approval files, all documents, data and information related to clinical trials and other studies of Licensed Products, any other data, techniques, know-how and other information developed or generated that relate to the Licensed Patents, all copies and facsimiles of such materials, documents, information and files and all inventories of Licensed Product, whether commercial, clinical or research products. Dartmouth agrees that, subject to the provisions of Section 8, Licensee may retain one copy thereof to the extent Licensee is required by law to maintain such copy. Dartmouth and Licensee hereby agree that this Section 13.8 shall not be deemed to require the transfer or provision to Dartmouth of any information, documentation or filings generated by any Sublicensee, or on behalf of any Sublicensee by any party other than Licensee, in either case in the course of performance of its Sublicense, or of any rights in and to the foregoing.

14. **Limitation of Liability; Indemnification; Insurance**

14.1. No Warranty. THE LICENSES GRANTED HEREIN ARE PROVIDED "AS IS" AND WITHOUT WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, VALIDITY OF ANY OF THE DARTMOUTH PATENT CLAIMS, WHETHER ISSUED OR PENDING, AND THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. DARTMOUTH MAKES NO REPRESENTATION OR WARRANTY THAT THE EXERCISE OF ANY RIGHTS TO ANY LICENSED PRODUCT, LICENSED KNOW-HOW, OR LICENSED PATENT WILL NOT INFRINGE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF DARTMOUTH OR OF ANY THIRD PARTY.

14.2. Limitation of Liability. IN NO EVENT SHALL DARTMOUTH OR ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE TRUSTEES, DIRECTORS, OFFICERS, EMPLOYEES, STUDENTS AND AGENTS BE LIABLE TO LICENSEE, ANY SUBLICENSEE AND ANY AFFILIATE OF LICENSEE FOR ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OF ANY KIND ARISING IN ANY WAY OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE RIGHTS GRANTED HEREUNDER, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, INCLUDING WITHOUT LIMITATION ECONOMIC DAMAGES OR INJURY TO PROPERTY OR LOST PROFITS, REGARDLESS OF WHETHER DARTMOUTH SHALL BE ADVISED, SHALL HAVE OTHER REASON TO KNOW, OR IN FACT SHALL KNOW OF THE POSSIBILITY OF THE FOREGOING.

14.3. Nothing in this Agreement shall be construed as:

(a) a warranty or representation by Dartmouth as to the validity or scope of any Licensed Patent or Licensed Know-How;

(b) a warranty or representation that anything made, used, sold or otherwise disposed of under any license granted in this Agreement is or shall be free from infringement of patents or of any intellectual property of Dartmouth or of any third parties;

(c) an obligation to bring or prosecute actions or suits against third parties for patent infringement or infringement of any other intellectual property rights; or

(d) conferring by implication, estoppel or otherwise any license or rights under any patents or any other intellectual property of Dartmouth other than Licensed Patents or Licensed Know-How.

14.4. Indemnification. Licensee, Sublicensees and Affiliates of Licensee shall indemnify, hold harmless and defend Dartmouth, its trustees, officers, employees, students, and agents, and Inventor and their employers (collectively, the "***Indemnitees***") against any liability, damage, judgement, loss or expense (including reasonable attorney's fees and expenses of litigation) incurred by or imposed upon the Indemnitees or any one of them in connection with any claims, suits, actions, or demands brought by a third party under any theory of liability (including without limitation, actions in the form of tort, warranty, or strict liability, or violation of any law, and regardless of whether such action has any factual basis) arising out of or relating to (a) any failure by Licensee, Sublicensee, and or Affiliate of Licensee to perform any of their obligations under this Agreement and/or under any Sublicense, or (b) any defect in any Licensed Product sold by Licensee, Affiliate of Licensee, or Sublicensee, or (c) the gross negligence, willful misconduct or fraud of Licensee. Licensee agrees that neither Dartmouth nor any Indemnitee shall have any liability to Licensee or any person asserting claims on behalf of or in right of Licensee in connection with or as a result of the License, except to the extent arising from the gross negligence, willful misconduct or fraud of Dartmouth.

14.5. Indemnification Procedure. Licensee agrees, at its own expense, to provide attorneys reasonably acceptable to Dartmouth to defend against any actions brought or filed against any Indemnitee, whether or not such actions are rightfully brought; provided, however, that any Indemnitee shall have the right to retain its own counsel, at its own expense, if representation of such Indemnitee by counsel retained by Licensee would be inappropriate because of actual or potential conflicts of interests of such Indemnitee and any other party represented by such counsel. Dartmouth will use reasonable efforts to notify Licensee in writing within thirty (30) days of the assertion by a third party of any claim that is subject to indemnification under this Section 14.5. Failure to notify Licensee will not waive any of Licensee's indemnity obligations with respect to such claim except to the extent such failure materially prejudices the ability of Licensee to defend such claim. The parties will cooperate with each other in the defense and settlement of any such claim, at Licensee's sole expense. Licensee agrees to keep Dartmouth informed of the progress in the defense and disposition of such indemnified claim and to consult with Dartmouth prior to any proposed settlement. In the event Licensee does not accept the defense of any matter, Dartmouth will have the right to defend such matter and all of Dartmouth's reasonable costs, expenses, liabilities and damages (including any amounts payable in settlement) will be promptly reimbursed by Licensee. Licensee will not settle any matter under this Section 14.5 without Dartmouth's prior written consent, which consent will not be unreasonably withheld, conditioned or delayed.

14.6. Insurance. Licensee, at its sole cost and expense, shall insure its activities under this Agreement and obtain, keep in force and maintain insurance or an equivalent program of self-insurance as follows:

(a) comprehensive or commercial general liability insurance (contractual liability included) with limits of at least:

(i) each occurrence - One Million Dollars (US $1,000,000);
(ii) products/completed operations aggregate - Five Million Dollars (US $5,000,000);
(iii) personal and advertising injury - One Million Dollars (US $1,000,000); and
(iv) general aggregate (commercial form only) - Five Million Dollars (US $5,000,000).

(b) cyber liability insurance with limits of at least Five Million Dollars ($5,000,000) per occurrence and Ten Million Dollars ($10,000,000) in the aggregate.

The coverage and limits referred to above will not in any way limit the liability of Licensee, and all rights of subrogation will be waived against Dartmouth and its insurers.

(c) Licensee shall, within ninety (90) days of the Effective Date, furnish Dartmouth with certificates of insurance showing compliance with all requirements. The policy or policies of insurance specified herein shall be issued by an insurance carrier with an A.M. Best rating of "A" (or an comparable rating in the jurisdiction in which the insurance carrier operates) or better and shall name Dartmouth as an additional insured with respect to Licensee's performance of this Agreement. Such certificates shall: (i) provide for thirty (30) day advance written notice to Dartmouth of any modification; and (ii) include a provision that the coverage shall be primary and shall not participate with nor shall be excess over any valid and collectable insurance or program of self-insurance carried or maintained by Dartmouth.

(d) Dartmouth reserves the right to require additional policies of insurance and/or increased coverage limits where appropriate and reasonable in light of Licensee's business operations and availability of coverage.

Notwithstanding the foregoing provisions in this Section, Licensee shall only be required to obtain, keep in force and maintain insurance if the Licensee receives NDA or BLA approval in the United States and is selling, marketing, or distributing Licensed Product in the Licensed Territory.

15. **Inventor Agreements**

15.1. If Licensee and Inventor enter into an Inventor Agreement, Licensee shall so notify Dartmouth in writing within thirty (30) days after the execution of such Inventor Agreement. The Licensee acknowledges that: (i) Inventor is a faculty member of Dartmouth; (ii) Inventor is subject to certain policies of Dartmouth, including policies concerning consulting, conflicts of interest, and intellectual property ("***Dartmouth Policies***"); and (iii) to the extent any provision of the Inventor Agreement conflicts with Dartmouth Policies, or imposes obligations or responsibilities compliance with which would require Inventor to act in violation of Dartmouth Policies, the provisions of the Dartmouth Policies shall prevail.

16. **Miscellaneous**

16.1. Governing Law; Venue and Consent to Jurisdiction. This Agreement, including the appendices and all other attachments, and all disputes arising in connection with this Agreement and the subject matter herein, will be governed by and construed in accordance with the laws of the State of New Hampshire, without giving effect to its conflict of laws principles, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted.

16.2. Attorneys' Fees. In the event of litigation between the parties arising from or related to this Agreement, the prevailing party shall be entitled to recovery of all reasonable costs and attorneys' fees.

16.3. Dispute Resolution. If any dispute or disagreement arises between the parties, then, prior to initiating any litigation or formal dispute resolution, the parties will follow the following procedures in an attempt to resolve the dispute or disagreement:

(a) The party claiming that such a dispute exists will give notice in writing ("***Notice of Dispute***") to the other party of the nature of the dispute.

(b) Within fourteen (14) days after receipt of a Notice of Dispute, the Director of the Dartmouth Technology Transfer Office and the Chief Executive Officer of Licensee (or a person that the Chief Executive Officer of Licensee designates) will meet in person or by teleconference and exchange written summaries reflecting, in reasonable detail, the nature and extent of the dispute, and at this meeting they will use their reasonable endeavors to resolve the dispute.

(c) If the persons referred to in Section 16.3(b) are unable to resolve the dispute during the meeting described in Section 16.3(b) or if for any reason such meeting does not take place within the period specified in Section 16.3(b), then the dispute will be referred to the Office of the General Counsel of Dartmouth, and the Chief Executive Officer of Licensee (or a person that the Chief Executive Officer of Licensee designates), who will meet at a mutually agreed-upon time and location for the purpose of resolving such dispute.

(d) If, within a further period of thirty (30) days, or if in any event within ninety (90) days of initial receipt of the Notice of Dispute, the dispute has not been resolved, or if, for any reason, the meeting described in Section 16.3(c) has not been held within ninety (90) days of initial receipt of the Notice of Dispute, then either party may refer such dispute to arbitration in accordance with this Section 16.3(d). All arbitration proceedings shall be conducted in accordance with the Comprehensive Arbitration Rules and Procedures of JAMS before a single arbitrator selected by the parties, or if the parties do not agree upon the selection an arbitrator within thirty (30) days following the date on which the non-referring party has been notified of the arbitration, a single arbitrator chosen in accordance with such rules. The place of arbitration shall be Concord, New Hampshire. The arbitration shall be conducted in English. The administrative fees of the arbitration and the arbitrator's fees shall be shared equally by the parties, provided that the arbitrator may award costs, as well as attorneys' fees, to the prevailing party in addition to any award of damages or other relief. The arbitrator shall be bound by any pertinent provisions contained in this Agreement. The arbitrator's decision shall be final and binding on both parties and either party may apply to any court having jurisdiction for enforcement of the decision. The parties shall keep the claim, evidence, proceedings and decision in the arbitration confidential except as to their professional advisors, as required to enforce or appeal the decision, or as otherwise required by law or regulation.

(e) Nothing in this Section 16.3 shall limit the right of a party to seek injunctive or other equitable relief from a court having jurisdiction with respect to any actual or threatened breach of this Agreement.

16.4. Assignment. This Agreement may not be amended or modified except by written agreement executed by each of the parties. This Agreement is personal to Licensee and shall not be assigned by Licensee without the prior written consent of Dartmouth; provided that Licensee may assign this Agreement without the consent of Dartmouth to an Affiliate or to a purchaser of all, or substantially all, of the assets or equity securities of Licensee (whether through merger, consolidation, assignment or otherwise); provided that Licensee must give Dartmouth thirty (30) days prior written notice of any such assignment. Dartmouth shall not sell, assign or otherwise transfer any of its rights to any of the Licensed Patents unless either (a) the purchaser or assignee of such rights has acknowledged and agreed with Licensee in writing that such purchaser or assignee will assume and perform all of Dartmouth's obligations under this Agreement and that such sale, assignment and transfer will not adversely affect any of Licensee's rights under this Agreement, or (b) Licensee has provided its prior written consent to such sale, assignment or transfer. Any attempted assignment in contravention of this Section 16.4 shall be null and void.

16.5. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been delivered to a party upon: (a) personal delivery to that party; (b) if simultaneously mailed as provided herein, upon: (i) electronically confirmed delivery by facsimile to the telephone number provided by the party for such purposes; or (ii) electronic mail transmission to the electronic mailbox provided by the party for such purposes; (c) upon deposit for overnight delivery with a bonded courier holding itself out to the public as providing such services, with charges prepaid; or (d) four (4) business days following deposit of certified or registered mail in Canada or the United States, postage prepaid, and in any case addressed to the party's address set forth below, or to any other address that the party provides by notice, in accordance with this Section to the other party:

If to Dartmouth:

ATTN: [****]
Phone: [****] Fax: [****] Email: [****]

If to Licensee:

ATTN: [****]
Phone: [****]
E-mail: [****]

16.6. Entire Agreement; Order of Precedence. This Agreement, including all appendices hereto, constitutes the entire agreement of the parties, and supersedes any prior and contemporaneous agreements, either oral or written, between the parties hereto with respect to the subject matter hereof. Each party acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by the other party, or anyone acting on behalf of the other party, that are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding. The terms of this Agreement take precedence over the terms of any purchase order or similar document issued by a party, which may be accepted by the other Party for administrative convenience only.

16.7. Language. The parties agree that they will contract in the English language and that there shall be no requirement to translate this Agreement or any of the documents incorporated into this Agreement into any other language. In the event of any inconsistencies between any translations thereof into another language, the English language version shall govern.

16.8. Construction. This Agreement is the joint work product of representatives of each party. Accordingly, in the event of ambiguities in this Agreement, no inference will be drawn against either Party, including the Party that drafted this Agreement in its final form. The words "include," "includes," "including" and similar words shall are deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of like import. The words "herein" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, section or other subdivision. References in this Agreement to "provisions of this Agreement" refer to the terms, conditions and promises contained in this Agreement taken as a whole. Unless otherwise specified herein, all references to days, months, quarters or years are references to calendar days, calendar months, calendar quarters, or calendar years. References to the singular include the plural. All references to "$" or "dollars" are to United States Dollars. All references to an agreement or other instrument or statute or regulation are referred to as amended and supplemented from time to time and, in the case of a statute or regulation, any successor provisions thereof. Capitalized terms used in this Agreement shall have the meanings ascribed to them in the body of this Agreement or the applicable appendices. Terms other than those defined in this Agreement or the applicable appendices shall be given their plain English (or relevant alternative language, if in a language other than English) meaning and terms of art having a specialized meaning in the relevant industry shall be construed in accordance with industry standards. Unless the context otherwise requires, words importing the singular include the plural and vice-versa and words importing the masculine include the feminine and neuter and vice-versa.

16.9. Captions. The captions and headings used in this Agreement are for convenience only and do not limit or amplify the terms and provisions hereof.

16.10. Binding Effect; No Third Parties Beneficiaries. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective successors and permitted assigns. Except as set forth herein, nothing in this Agreement is intended to confer on any person or entity, other than the parties and their respective successors and permitted assigns, any rights hereunder, except that Dartmouth will be a third party beneficiary of each Sublicense.

16.11. Severability. If any term or condition of this Agreement is determined to be invalid or unenforceable in whole or in part for any reason, this Agreement shall be reformed to be valid and enforceable consistent with the intention of the parties as expressed herein to the greatest extent permitted by law.

16.12. Counterparts; Validity of Electronic Copies; Amendments; Waivers. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together shall constitute one and the same instrument. An executed copy of this Agreement that is delivered by facsimile or other electronic means shall be sufficient to show execution and delivery thereof. This Agreement may be amended only by a written document signed by authorized representatives of both parties. No waiver of any provision of this Agreement will be valid or binding unless set forth in writing and signed by the party granting the waiver. No failure by a party to exercise, and no delay by a party in exercising, any right hereunder will operate as a waiver of such right, nor will any single or partial exercise by a party of any right hereunder preclude any future exercise of that right, or any other right, by that party.

[*Signature page follows*]

IN WITNESS WHEREOF, Dartmouth and Licensee have executed this Agreement as of the Effective Date, in duplicate originals, by their respective and duly authorized officers.

ALGERNON PHARMACEUTICALS INC.

By: */s/ Christopher J. Moreau*

Name: Christopher J. Moreau

Title: CEO

Date: August 6, 2021

TRUSTEES OF DARTMOUTH COLLEGE:

By: */s/ Kim Rosenfield*

Name: Kim Rosenfield

Title: Director, Technology Transfer Office

Date: August 6, 2021

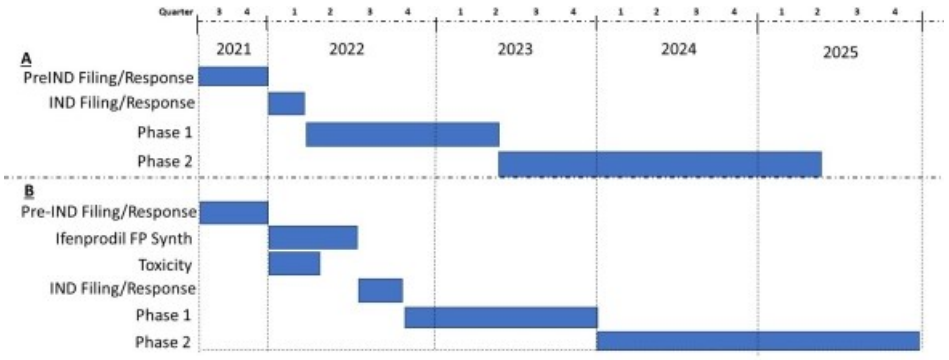
Appendix A

LICENSED PATENTS AND PATENT APPLICATIONS

1. US Patent 9,084,775 "Methods for diagnosing and treating neuroendocrine cancer".

Appendix B

COMMERCIALIZATION PLAN



A – Schedule if FDA allows third party Ifenprodil finished product to be used for clinical trials
B – Schedule if Algernon is required to synthesize own investigational product

Algernon Pharmaceuticals Inc.

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

EXECUTIVE EMPLOYMENT AGREEMENT

BETWEEN:

ALGERNON PHARMACEUTICALS INC., a company incorporated pursuant to the laws of the Province of British Columbia, with an office at 915-700 West Pender Street, Vancouver, British Columbia

(the "Company")

AND:

JAMES KINLEY, an individual, with a principal residence at [****]

(the "Executive") (collectively the "Parties")

WHEREAS:

(A) The Company is engaged in the business of clinical stage drug development; and

(B) The Company wishes to engage and employ the Executive to the position of Chief Financial Officer ("CFO") on the terms and conditions hereinafter set forth;

NOW THEREFORE in consideration of the premises and mutual agreements set out below, and for the payment of $1.00 consideration from the Company to the Executive, and other good and valuable consideration, the receipt and sufficiency of which is here by acknowledged by the Parties, the Company and the Executive agree as follows:

1. Term

1.1 The Executive's employment under this Agreement shall commence on December 1st, 2021, (the "Effective Date"), and will continue on indefinitely unless and until terminated in accordance with the terms of this Agreement.

2. Position and Services

2.1 The Executive will be employed by the Company in the position of CFO. The Executive acknowledges and agrees that, this Agreement the term "Company" means Algernon Pharmaceuticals Inc. and all of its affiliates and subsidiaries.

2.2 The Executive's duties and responsibilities shall include those duties and responsibilities normally and reasonably associated with the position of CFO together with such other duties and responsibilities as may from time to time be assigned by the Company to the Executive that are commensurate with such position, and as further detailed in Schedule "A" to this Agreement (the "Services"). During the Executive's employment, other duties and responsibilities or management positions may be reasonably assigned to him from time to time by the CEO, consistent with his executive position. The Executive acknowledges and agrees that such changes shall not constitute a constructive dismissal or breach of this Agreement.

2.3 The Executive represents and warrants to the Company that he has the required qualifications, skills and experience to perform the duties and exercise the responsibilities that shall be required of the Executive under this Agreement.

2.4 During the Term of this Agreement, the Executive shall at all times:

a) devote appropriate time and attention and provide the Executive's best efforts, skills and talents to the business of the Company to perform the Executive's duties as outlined in Schedule A of this Agreement;

b) faithfully, honestly and diligently perform the duties and exercise the responsibilities that shall be required of the Executive under this Agreement;

c) deal at all times in good faith with the Company and its employees, contractors and suppliers;

d) comply with all applicable statutes and regulations and the lawful requirements and directions of any governmental authority having jurisdiction with respect to the Services he provides including the obtaining of all necessary permits and licences;

e) refer to the CEO of the Company on all matters and transactions in which a real or perceived conflict of interest between the Executive and the Company or any of its affiliates may arise;

f) perform the Services in a competent and efficient manner and will carry out all lawful instructions and directions from time to time given to the Executive from the Company; and

g) act at all times in the best interests of the Company and in accordance with the Executive's obligations under this Agreement.

3. Reporting Procedures

3.1 The Executive will report to the CEO of the Company, or such office or position as directed from time to time by the company. The Executive will fully report on the management, operations and business affairs of the Company and, advise to the best of the Executive's ability and in accordance with reasonable business standards, on business matters that may arise from time to time during the term of the Agreement.

4. Policies

4.1 The Executive agrees to comply with all policies that apply to the Company's employees, as amended from time to time. It is agreed that the introduction, amendment and administration of such policies are within the sole discretion of the Company. If the Company introduces, amends, or cancels any such policies, this will not constitute a breach of this Agreement. If there is a direct conflict between this Agreement and any Company policy, this Agreement shall prevail to the extent of the inconsistency

5. Compensation

5.1 Base Salary: For the services rendered by the Executive under this Agreement, the Company will pay the Executive a base salary of $120,000 per annum (the "Base Salary"). The Base Salary shall be paid semi-monthly, less deductions required by law.

5.2 Bonus: In addition to the Base Salary, the Executive is eligible to be considered for an annual discretionary bonus which will be subject to the approval of the Board of Directors of the Company, in their sole discretion. Payment of the bonus in one year will not indicate any entitlement to bonus in any other year. Any bonus payable to the Executive is entirely at the discretion of the Company, does not accrue, and is only earned and payable on the date it is provided by the Company. For example, except as otherwise the *Employment Standards Code,*
C.C.S.M. c.E110, as amended, if the Executive's employment is terminated on the day before the day on which a bonus would otherwise have been paid, whether the termination is with or without cause, lawful or unlawful, the Executive will not be entitled to receive any bonus and the Executive hereby waives any claim to such bonus or any portion thereof.

5.3 Incentive Stock Plan: The Executive shall be entitled to participate in the Company's incentive stock ownership plan (the "Plan"). All grants of stock options made to the Executive shall be at the sole discretion of the Board of Directors and shall be made in accordance with and subject to the terms of the Plan and a separate agreement or commitment evidencing the options shall be entered into concurrently with any such grant.

6. Travel and Expenses

6.1 The Executive acknowledges and agrees that the Executive's position with the Company may require him to travel from time to time. The Executive agrees to comply with any Company policies relating to travel that may be in effect from time to time.

6.2 The Company will reimburse the Executive for all reasonable travel and other out- of-pocket expenses actually incurred by the Executive directly related to the performance of the Services. The Executive will obtain prior approval for all expenses and will account for all expenses in accordance with the policies and directions provided by the Company.

7. Vacation

7.1 The Executive will be entitled to 4 weeks (20 days) of paid vacation per fiscal year. The vacation entitlement will be pro-rated for any partial year of service.

7.2 Vacation days must be taken and cannot be banked, deferred, or carried over. No payments will be made in lieu of unused vacation days, except as strictly required by the *Employment Standards Code,* C.C.S.M. c. E110, as amended.

7.3 Vacation must be taken at times agreed between the Company and the Executive, with consideration given to the staffing and operational needs of the Company. The Executive must obtain pre-approval for the vacation time by submitting a notice of vacation leave at least 30 days prior to such leave.

8. Termination

8.1 Termination for Just Cause: The Company may terminate the Executive's employment at any time for Just Cause, without any notice, payment in lieu of notice, or severance compensation.

8.2 Resignation by Executive: The Executive may resign from his employment by providing the Company with 90 days' notice in writing (the "Resignation Notice Period"). The Company may elect to waive such notice, in whole or in part, and have the Executive's employment terminate prior to the end of the Resignation Notice. In such circumstances, the Company will pay the Executive an amount equal to the pro-rata Base Salary he would have received had be remained actively employed by the Company until the end of the Resignation Notice Period.

8.3 Termination Without Just Cause: The Company may terminate the Executive's employment at any time and for any reason without Just Cause, by providing the Executive with 3 months' written notice, pay in lieu of notice, or any combination thereof. If the Company elects to provide the Executive with payment in lieu of notice pursuant to this Section, then the payment will be based only on the Executive's Base Salary at the time of termination, except as may be otherwise required under the *Employment Standards Code,* C.C.S.M. c. E110, as amended.

8.4 Death of the Executive - This Agreement will automatically terminate, without notice or payment in lieu of notice, upon the death of the Executive.

8.5 It is agreed and understood that provision of the notice or payment in lieu of notice upon termination as set out in Section 8 of this Agreement shall constitute full and final satisfaction of any claim that the Executive may have arising from or relating to the termination of his employment, whether such claim arises under statute, contract, common law or otherwise. The Executive acknowledges and agrees that, upon provision of such notice or payments in lieu of notice, the Executive will have no entitlement to any further payments in relation to the termination of employment.

9. Suspension

9.1 Where the Company considers it necessary for the protection of its operational and business interests, it may require that the Executive undertake reduced or alternative duties consistent with his abilities or remain away from work, with pay, while it conducts an investigation into his conduct or performance. Any such action by the Company shall not constitute a breach of this Agreement, constructive dismissal or a termination of the Executive's employment with the Company.

9.2 The Company reserves the right to lay the Executive off from his employment under this Agreement temporarily in accordance with the provisions of the Act, and such temporary layoff will not constitute a breach of this Agreement, a constructive dismissal, or a termination of the Executive's employment with the Company.

10. Return of Materials

10.1 All documents and materials in any form or medium including, but not limited to, files, forms, brochures, books, correspondence, memoranda, manuals and lists (including lists of customers, suppliers, products and prices), all equipment and accessories including, but not limited to, computers, computer disks, software products, cellular phones and personal digital assistants, all keys, building access cards, parking passes, credit cards, and other similar items pertaining to the business of the Company that may come into the possession or control of the Executive will at all times remain the property of the Company. On termination of this Agreement for any reason, the Executive agrees to deliver promptly to the Company all property of the Company in the possession of the Executive or directly or indirectly under the control of the Executive. The Executive agrees not to make for the Executive's personal or business use or that of any other party, reproductions or copies of any such property or other property of the Company unless this agreement otherwise entitles the Executive to retain copies of such property.

11. Confidentiality, Non-Competition and Non-Solicitation

11.1 The Executive acknowledges and agrees that:

(a) in the course of performing the Executive's duties and responsibilities hereunder, the Executive has had and will continue in the future to have access to and has been and will be entrusted with detailed confidential information and trade secrets (printed or otherwise) concerning past, present, future and contemplated products, services, operations and marketing techniques and procedures of the Company, including, without limitation, information relating to the identity of, addresses, preferences, needs and requirements of past, present and prospective clients, customers, suppliers and employees of the Company (collectively, "Trade Secrets"), the disclosure of any of which to competitors of the Company or to the general public, or the use of same by the Executive or any competitor of the Company would be highly detrimental to the interests of the Company;

(b) in the course of performing the Executive's duties hereunder, the Executive has been, and will continue in the future to be, a representative of the Company to its customers, clients and suppliers and as such has had and will continue in the future to have significant responsibility for maintaining and enhancing the goodwill of the Company with such customers, clients and suppliers and would not have, except by virtue of the Executive's position with the Company, developed a close and direct relationship with the customers, clients and suppliers of the Company;

(c) the Executive, as an Officer of the Company owes fiduciary duties to the Company, including the duty to act in the best interests of the Company; and

(d) the right to maintain the confidentiality of the Trade Secrets, the right to preserve the goodwill of the Company and the right to the benefit of any relationships that have developed between the Executive and the customers, clients and suppliers of the Company by virtue of the Executive's position with the Company constitute proprietary rights of the Company, which the Company is entitled to protect.

11.2 In acknowledgement of the matters described above and in consideration of the payments to be received by the Executive pursuant to this Agreement, the Executive hereby agrees, at any time subsequent to the Effective Date, not to directly or indirectly disclose to any person or in any way make use of (other than for the benefit of the Company), in any manner, any of the Trade Secrets, provided that such Trade Secrets will be deemed not to include information that is or becomes generally available to the public other than as a result of disclosure directly or indirectly by the Executive. Notwithstanding the foregoing, the Executive will not be in violation of this Agreement and will have no liability to the Company for disclosing any Trade Secret when instructed to do so by the CEO of the Company.

11.3 Notwithstanding Section 11.2 above, the Executive may, if and solely to the extent required by lawful subpoena or other lawful process, disclose Trade Secrets but, to the extent possible, shall first notify the Company of each such requirement so that the Company may seek an appropriate protective order or waive compliance with the provisions of this Agreement. The Executive will co-operate fully with the Company, at the expense of the Company, in seeking any such protective order.

11.4 The Executive will not, directly or indirectly, during this Agreement and for 6 (six) months after the termination of this Agreement for any reason in any manner whatsoever:

(a) *Non-Compete*: carry on, engage in, or hold any interest in any business or research program that is, or itself holds any interest in any business that competes with the Business of the Company anywhere in the Territory.

(b) *Non-Solicitation*: solicit, interfere with or endeavor to entice away from the Company any of the Company's clients, customers, suppliers, prospective clients or customers with whom the Executive has dealt directly during the course of his tenure with the Company to to transfer their business from the Company to the Executive, or to transfer their business from the Company to the Executive, or any other person or entity.

(c) *No Hire*: seek in any way to persuade or entice any person to terminate an employment or consulting position with the Company or hire or retain the services of any such person, provided that nothing in this provision shall prevent the Executive from directly or indirectly hiring or retaining any person pursuant to general, public job advertisements that are not targeted to Company personnel.

11.5 For the purposes of this Agreement:

a) "Business" of the Company means the business of drug repurposing.

b) "Territory" means the province of Manitoba.

11.6 The Executive agrees that:

(a) all restrictions contained herein are reasonable and valid in the circumstances and all defences to the strict enforcement thereof by the Company are hereby waived by the Executive,

(b) each of the restrictions contained herein are each separate and distinct covenants, severable one from the other and if any such covenant or covenants are determined to be invalid or unenforceable, such invalidity or unenforceability will attach only to the covenant or covenants as so determined and all other such covenants will continue in full force and effect, and

(c) monetary damages for any breach this Part would be inadequate for the immediate and irreparable harm that would be suffered by the Company for any such breach, and so, on any application to a court, the Company will be entitled to temporary and permanent injunctive relief against the Executive without the necessity of proving actual damage to the Company.

12. Title and Ownership of Research

12.1 The Parties agree and acknowledge that, all right, title and interest in and to the results of activities carried out by the parties pursuant to this Agreement or otherwise in fulfillment of the Executive's obligations hereunder, including any invention, patent or patent application, product, material, method, discovery, composition, process, technique, know-how, data, information or other result, and further including any governmental or regulatory filing submitted, or approval, license, registration, or authorization obtained by the Company in respect of the subject matter of this Agreement, shall vest solely in the Company.

13. Disclosure

13.1 During the term of this Agreement, the Executive will promptly disclose to the CEO of the Company full information concerning any interest, direct or indirect, of the Executive (as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of his family in any business that is reasonably known to the Executive to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to the Company or to any of its suppliers or customers.

14. General

Entire Agreement

14.1 This Agreement and the documents referred to herein contain the complete agreement between the parties and shall, as of the date it takes effect, replace and supersede any and all other agreements between the parties. The parties agree that there are no collateral contracts or agreements between them and that neither of them has made any representations to the other, including but not limited to negligent misrepresentations, except such representations as are specifically set forth in this Agreement.

Notices

14.2 Any notice to be given under this Agreement will be in writing and will be duly and properly given if delivered by hand or by registered or certified mail, at the address for the intended recipient as set forth in this Agreement, or at such other address as such party may designate by notice to the other parties pursuant to this section. Any notice will be deemed to be received when delivered at the address specified in this section or on the fifth business day following the date on which such communication is posted, whichever occurs first.

Governing Law

14.3 This Agreement shall be governed by the laws of Manitoba. The parties submit to the exclusive jurisdiction of the Courts of Manitoba to resolve any and all disputes arising from or in relation to this Agreement.

Severability

14.4 All paragraphs and covenants contained in this Agreement are severable, and in the event that any of them shall be held to be invalid, unenforceable, or void by a court of competent jurisdiction, such paragraphs or covenants shall be severed and the remainder of this Agreement shall remain in full force and effect.

14.5 In the event that this Agreement provides a lesser benefit to the Executive than the minimum standard contained in any applicable legislation, the minimum standard contained in such legislation will prevail to the extent of the inconsistency.

Survival

14.6 The provisions of 10, 11, and 12 will survive any termination of this Agreement.

Independent Legal Advice

14.7 The Executive hereby acknowledges that it has had the opportunity to obtain independent legal advice regarding this Agreement and has either obtained such advice or has waived its right to obtain such advice.

Collection and Use of Personal Information

14.8 During the course of the Executive's employment, the Company may collect employee personal information about him where it is reasonable for the Company to do so for the purposes of establishing, managing and/or terminating the employment relationship. The Company may use and disclose the Executive's employee personal information only for those purposes, or as permitted or required by law. The Executive consents to the Company collecting, using and disclosing personal information of the Executive for business related purposes in accordance with the privacy policy of the Company.

Consideration

14.9 The Executive acknowledges and agrees that this Agreement has been executed in exchange for an increase in Base Salary, payment of $1.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged. The Executive waives any and all defences relating to an alleged failure or lack of consideration in connection with this Agreement.

Assignment

14.10 This Agreement will not be assigned by any party hereto; provided however, that any change or changes in the name, authorized share structure or any amalgamation of the Company with any other company will not be or be deemed to be an assignment by the Company hereunder.

Enurement

14.11 This Agreement shall be binding and shall enure to the benefit of the parties hereto, and their heirs, executors, administrators, successors and permitted assigns.

Time

14.12 Time shall be of the essence in this Agreement.

Validity

14.13 Where a party to this Agreement is a Corporation, the Officers and Directors thereof shall take all actions necessary to give full effect to the terms of this Agreement.

Counterparts

14.14 This Agreement may be executed in as many counterparts as may be necessary or by facsimile and each such counterpart or facsimile so executed are deemed to be an original and such counterparts and facsimile copies together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

ALGERNON PHARMACEUTICALS INC.

Per: */s/ Chris Moreau*
Chris Moreau, CEO

Signed and Delivered by **JAMES KINLEY** in the presence of:)
)
/s/ K Kinely)
Witness (Signature))
)
Kristjana Kinley)
Name (please print))
)
)

/s/ James Kinley
JAMES KINELY

Schedule "A"
Services

The Executive's duties and responsibilities shall include providing leadership and direction on the organization's financial goals, budgets, financings, mergers and acquisitions, risk management and corporate governance as follows:

- Leading the accounting function to assure appropriate, timely, and accurate financial processes and procedures
- Completing corporate financial reporting and continuous disclosure as required of a publicly traded company
- Providing financial analysis, insight, and advice as well as reporting on operational performance to the CEO and the Board of Directors, which highlights strengths and deficiencies and contributes to sound operational decision-making
- Managing the external audit functions to maintain strong internal controls and effective corporate and financial policies
- Participating in the execution of mergers and acquisitions through due diligence, deal structuring, financings, integration planning, and implementation
- Administering banking arrangements and loan agreements.
- Providing leadership in developing tools that facilitate better decision-making by the leadership team; directing the development of forecasting tools that allow the company to model the outcome of specific business initiatives or assumptions across a broad range of measurement data
- Providing leadership in working with CEO in the annual planning and budgeting process, as well as ongoing reporting, trends, and forecasting
- Developing and monitoring policies and procedures within International Financial Reporting Standards (IFRS) and corporate guidelines.
- Supporting the investor relations function of the Company, as required.