



Suite 915 – 700 West Pender Street  
Vancouver, British Columbia, V6C 1G8  
Tel: 604-646-1553

## INFORMATION CIRCULAR

With information as at March 22, 2019  
(*except where otherwise indicated*)

**This Information Circular (“Circular”) is provided in connection with the solicitation by management of Algernon Pharmaceuticals Inc. (formerly Breathtec Biomedical, Inc.) (the “Corporation”) of proxies (“Proxies”) from its holders (“Shareholders”) of the Class A common shares (the “Shares”) of the Corporation in respect of the annual general meeting of Shareholders (the “Meeting”) to be held at the time, location and place and for the purposes set out in the notice of meeting (the “Notice of Meeting”) accompanying this Circular.** Although it is expected that the solicitation of Proxies will be primarily by mail, Proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. The costs of the solicitation of Proxies will be borne by the Corporation.

All references to \$ are to Canadian dollars and references to US\$ are to US dollars.

### Notice-and-Access

Notice-and-Access rules are provisions for the delivery of proxy-related materials to Shareholders found in section 9.1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”), in the case of registered Shareholders, and section 2.7.1 of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), in the case of beneficial Shareholders (“**Notice-and-Access Provisions**”), which allow an issuer to deliver an information circular forming part of proxy-related materials to Shareholders via certain specified electronic means provided that the conditions of NI 51-102 and NI 54-101 are met.

Notice-and-Access Provisions allow reporting issuers, other than investment funds, to deliver proxy-related materials to registered holders and beneficial owners of securities by posting their proxy-related materials on a non-SEDAR website (usually the reporting issuer’s website and sometimes the transfer agent’s website) rather than by delivering the information circular by mail. Notice-and-Access Provisions can be used to deliver materials for both general and special meetings. Reporting issuers may still choose to continue to deliver such materials by mail, and beneficial owners are entitled to request delivery of a paper copy of the information circular at the reporting issuer’s expense.

In order for the Corporation to utilize Notice-and-Access Provisions the Corporation must send a notice to Shareholders, including Non-Registered Holders, indicating that the proxy-related materials have been posted on a website and explaining how a Shareholder can access them or how they may obtain their own paper copy of those materials from the Corporation. The Corporation’s Notice and Access Notice of Meeting and Circular have been posted in full on the Corporation’s website at [www.algernonpharmaceuticals.com](http://www.algernonpharmaceuticals.com) and copies are available under the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

The Corporation sent the Notice and Access Notice of Meeting and Proxy, but not this Circular, in accordance with requirements of the Canadian securities administrators (the “CSA”) directly to its registered Shareholders (pursuant to NI 51-102) and those non-registered (beneficial) holders (pursuant to NI 54-101) that have

consented to allow their addresses to be provided to the Corporation (“**NOBOs**”). The Corporation does not intend to pay for intermediaries such as stockbrokers, securities dealers, banks, trust companies, trustees and their agents and nominees (“**Intermediaries**”) to forward the Notice of Meeting and VIF to those beneficial Shareholders that have refused to allow their address to be provided to the Corporation (“**OBOs**”). Accordingly, OBOs will not receive the Notice of Meeting and VIF unless their respective Intermediaries assume the cost of forwarding such documents to them. Instead of mailing this Circular to Shareholders, the Corporation has posted the Circular on its website pursuant to the ‘Notice and Access’ procedures of NI 54-101. Shareholders may request a paper copy of this Circular be sent to them by contacting the Corporation as set out under ‘Additional Information’ at the end of this Circular.

The Corporation will not rely upon the use of ‘stratification’. Stratification occurs when a reporting issuer utilizing Notice-and-Access Provisions provides a paper copy of Circular with the notice to be provided to Shareholders as described above. In relation to the Meeting, all Shareholders will have received the required documentation under the Notice-and-Access Provisions and all documents required to vote in respect of all matters to be voted on at the Meeting. No Shareholder will receive a paper copy of the Circular from the Corporation or any intermediary unless such Shareholder specifically requests same.

The Corporation will deliver proxy-related materials to NOBOs directly with the assistance of its transfer agent, AST Trust Company (Canada) (“**AST**”). The Corporation will not pay intermediaries for delivery of proxy-related materials to OBOs.

**Any Shareholder who wishes to receive a paper copy of this Circular must contact the Corporation at Suite 915 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, telephone (1-604-646-1553).** In order to ensure that a paper copy of the Circular can be delivered to a requesting Shareholder in time for such Shareholder to review the Circular and return a proxy or voting instruction form prior to the deadline for receipt of Proxies at 10 a.m. on May 3, 2019 (the “**Proxy Deadline**”), it is strongly suggested that a requesting Shareholder ensure their request is received by the Corporation no later than Monday, April 23, 2019.

All Shareholders may call 1-604-646-1553 (collect calls accepted) in order to obtain additional information relating to the Notice-and-Access Provisions or to obtain a paper copy of the Circular, up to and including the date of the Meeting, including any adjournment of the Meeting.

#### *Director Agreement*

None of the directors of the Corporation have informed the Corporation’s management in writing that they intend to oppose the approval of any of the matters set out in the Notice and Access Notice of Meeting.

### **GENERAL PROXY INFORMATION**

#### **Solicitation of Proxies**

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

#### **Appointment of Proxyholders**

The individuals named in the accompanying form of proxy (the “**Proxy**”) are officers of the Corporation. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

## Voting by Proxyholder

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

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

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

## Registered Shareholders

If you are a registered shareholder, you may wish to vote by proxy whether or not you attend the Meeting in person. If you submit a Proxy, you must complete, date and sign the Proxy and return it in the enclosed envelope to the Corporation c/o AST Trust Company (Canada), Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario Canada M1S 0A1 or if by hand to the Corporation c/o AST Trust Company (Canada), Suite 1600, 1066 West Hastings Street, Vancouver, British Columbia, Canada at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used. **You may also fax your completed proxy to AST Trust Company (Canada) at 1-866-781-3111 or 416-368-2502 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used.** Proxies and VIFs received after that time may be accepted or rejected by the Chairman of the Meeting in the Chairman's discretion, and the Chairman is under no obligation to accept or reject late proxies.

## Beneficial Shareholders

The following information is of significant importance to shareholders who do not hold Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Corporation as the registered holders of Shares) or as set out in the following disclosure.

If Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Shares will not be registered in the shareholder's name on the records of the Corporation. Such Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker (an "intermediary"). In the United States, the vast majority of such Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial owners - those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting Beneficial Owners).

The Corporation is taking advantage of the provisions of National Instrument 54-101 "*Communication with Beneficial Owners of Securities of a Reporting Issuer*" that permit it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("**VIF**") from our

transfer agent, AST Trust Company (Canada) (“AST”). These VIFs are to be completed and returned to AST Trust in the envelope provided or by facsimile. In addition, AST Trust provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions. AST Trust will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive.

These securityholder materials are being sent to both registered and non-registered owners of the securities of the Corporation. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in your request for voting instructions.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Corporation. However, its purpose is limited to instructing the intermediary on how to vote your Shares on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”) in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Corporation. The VIF will name the same persons as the Corporation’s Proxy to represent your Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Corporation), other than any of the persons designated in the VIF, to represent your Shares at the Meeting and that person may be you. To exercise this right, you should insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting and the appointment of any shareholder’s representative. **If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Shares voted or to have an alternate representative duly appointed to attend and to vote your Shares at the Meeting.**

#### **Notice of Shareholders in the United States**

The solicitation of proxies is not subject to the requirements of Section 14(a) of the U.S. Exchange Act by virtue of an exemption applicable to proxy solicitations by foreign private issuers as defined in Rule 3b-4 of the U.S. Exchange Act. Accordingly, this Circular has been prepared in accordance with applicable Canadian disclosure requirements. Residents of the United States should be aware that such requirements differ from those of the United States applicable to proxy statements under the U.S. Exchange Act.

This document does not address any income tax consequences of the disposition of the Corporation’s shares by shareholders. Shareholders in a jurisdiction outside of Canada should be aware that the disposition of shares by them may have tax consequences both in those jurisdictions and in Canada, and are urged to consult their tax advisors with respect to their particular circumstances and the tax considerations applicable to them.

Any information concerning any properties and operations of the Corporation has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies.

Financial statements included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and are subject to auditing and auditor independence standards in Canada. Such consequences for the Corporation Shareholders who are resident in, or citizens of, the United States may not be described fully in this Circular.

The enforcement by the Corporation Shareholders of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Corporation is incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and the experts named herein are residents of a foreign country and that the major assets of the Corporation are located outside the United States.

### **Revocation of Proxies**

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

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the registered shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to the Corporation's transfer agent, AST Trust Company (Canada) at AST's address set out above, or to the Corporation at Suite 915, 700 West Pender Street, Vancouver, British Columbia Canada V6C 1G6, or by mail at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) personally attending the Meeting and voting the registered shareholder's Shares.

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

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

Other than as disclosed in this Circular, the Corporation is not aware of any material interest of any executive officer, director or nominee for director, or anyone who has held office as such since the beginning of the Corporation's last financial year, or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors except for the current and future directors and executive officers of the Corporation and its subsidiaries, if any, inasmuch as, in the following year, they may be granted options to purchase Shares pursuant to the Option Plan, ratification of which will be sought at the Meeting.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The Corporation is authorized to issue an unlimited number of Class A Common Shares (the "**Shares**"). The Corporation has fixed March 22, 2019, as the record date (the "**Record Date**") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Shares voted at the Meeting.

As of Record Date, there were 47,344,512 Shares issued and outstanding.

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

**Certain corporate actions made from the date of the Corporation’s last annual general meeting held on April 4, 2018 to the date of this Circular**

**On September 19, 2017:**

Guy La Torre resigned as Chief Executive Officer, President and Director

**On March 1, 2018:**

Christopher Moreau was appointed Chief Executive Officer

**On June 25, 2018:**

Michael Costanzo resigned as Chief Technology Officer

Effective October 17, 2018, the Corporation consolidated its common shares at a ratio of 2 pre-consolidation common shares for 1 post-consolidation common share. Information as to the shareholdings in this Information Circular are at the Corporation financial year ended August 31, 2018 in pre-consolidation numbers. The Corporation’s outstanding stock options and warrants will be adjusted on the same (2:1) basis, respectively, with proportionate increases being made to their exercise prices

Effective February 19, 2019 the Company’s name was changed from Breathtec Biomedical, Inc. to Algonon Pharmaceuticals Inc. The Company’s Shares are listed on the Canadian Securities Exchange under stock symbol “AGN”

To the knowledge of the directors and executive officers of the Corporation, no one beneficially owned, directly or indirectly, or exercised control or direction over, voting securities carrying more than 10% of the voting rights attached to the Common Shares as at the Record Date except as indicated below:

<b>Name</b>	<b>Number of Common Shares Owned or Controlled at the Record Date</b>	<b>Percentage of Outstanding Common Shares</b>
Kal Malhi	6,851,171 <sup>(1)</sup>	14.63%

(1) Of these shares, 5,647,170 are owned by BullRun Capital Inc., and 872,500 shares are owned by Cannabix Breathalyzer Inc., private companies that are owned and controlled by Mr. Malhi who is a former director and officer of the Corporation.

**FINANCIAL STATEMENTS**

The Corporation’s consolidated audited financial statements for financial years ending August 31, 2018 and August 31, 2017, the report of the auditor thereon and the related management’s discussion and analysis thereon were filed on SEDAR at [www.sedar.com](http://www.sedar.com) on December 14, 2018, will be tabled at the Meeting and will be available at the Meeting.

## ELECTION OF DIRECTORS

There are currently three directors of the Corporation. The Board proposes that the number of directors be fixed at three. Shareholders are being asked to approve an ordinary resolution fix the number of directors at three.

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

The following table sets out the names of management's nominees for election as directors, all major offices and positions with the Corporation and any of its significant affiliates each now holds, the period of time during which each has been a director of the Corporation and the number of Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at March 22, 2019.

Name and Province or State & Country of Residence	Present Office and Date First Appointed a Director	Principal Occupation <sup>(1)</sup> During the Past Five Years	Number of Shares <sup>(1)</sup>
<b>Michael Sadhra</b> <sup>(2)</sup> British Columbia, Canada	Director since October 26, 2015	Mr. Sadhra serves as the Chief Financial Officer of Micron Waste Technologies Inc., Director of Cypherpunk Holdings Inc. and Director of Cairo Resources Inc.  He is also a partner with Sadhra & Chow LLP since April 2009.  <i>Refer to Mr. Sadhra's biography under subheading "Relevant Education and Experience" below.</i>	381,250
<b>Raj Attariwala</b> <sup>(2)</sup> British Columbia, Canada	Director since October 26, 2015	Radiologist at Aim Medical Imaging Inc. since 2009.  <i>Refer to Mr. Attariwala's biography under subheading "Relevant Education and Experience" below.</i>	1,000,000
<b>David Levine</b> <sup>(2)</sup> British Columbia, Canada	Director since October 26, 2015	CEO of R1 Ventures since October, 2015; CEO of North America, Gaxys GmbH since July 2010. Vice President, Corum Group Since December 2015.  <i>Refer to Mr. Levine's biography under subheading "Relevant Education and Experience" below.</i>	0

Notes:

- (1) Number of Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the Record Date.
- (2) Member of the Audit Committee.

None of the director nominees proposed for election is to be elected under any arrangement or understanding between the proposed director and the Corporation or a third party (other than the directors and executive officers of the Corporation acting in that capacity).

### **Advance Notice Provision**

The Corporation's Articles include advance notice provisions (the "**Advance Notice Provision**"). The Advance Notice Provision provides for advance notice to the Corporation in circumstances where nominations of persons for election to the Board of directors of the Corporation are made by shareholders of the Corporation other than pursuant to (i) a requisition of a meeting made pursuant to the provisions of the *Business Corporations Act* (British Columbia) or (ii) a shareholder proposal made pursuant to the provisions of the BCA.

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

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

The foregoing is merely a summary of the Advance Notice Provision, is not comprehensive and is qualified by the full text of such provision contained in the Corporation's Articles which is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Corporation did not receive notice of a nomination in compliance with the Advance Notice Provision, and as such, any nominations other than nominations by or at the direction of the Board or an authorized officer of the Corporation will be disregarded at the Meeting.

**Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the election of the Nominees.**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT EACH SHAREHOLDER VOTE "FOR" THE ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.**

### **APPOINTMENT OF AUDITOR**

Smythe LLP, Chartered Professional Accountants, 7<sup>th</sup> Floor, 355 Burrard Street, Vancouver, British Columbia Canada, V6C 2G8 will be nominated at the Meeting for re appointment as auditor of the Corporation.

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

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

## Overview

The Audit Committee of the Board is principally responsible for

- recommending to the Board the external auditor to be nominated for election by the Corporation's shareholders at each annual general meeting and negotiating the compensation of such external auditor.
- overseeing the work of the external auditor, including the resolution of disagreements between the auditor and management regarding the Corporation's financial reporting.
- pre-approving all non-audit services to be provided to the Corporation's, by the auditor.
- reviewing the Corporation's annual and interim financial statements, Management's Discussion & Analysis (MD&A) and press releases regarding earnings before they are reviewed and approved by the Board and publicly disseminated by the Corporation.
- reviewing the Corporation's financial reporting procedures and internal controls to ensure adequate procedures are in place for the Corporation's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph.

The Corporation's auditor reports directly to the Audit Committee.

## The Audit Committee Charter

The Board has adopted a Charter for the Audit Committee, attached as Schedule A to this Circular, which sets out the Audit Committee's mandate, organization, powers and responsibilities.

## Composition of the Audit Committee

The Audit Committee consists of three directors. The Corporation's governing corporate legislation requires the Corporation to have an Audit Committee composed of a minimum of three directors, a majority of whom are not officers or employees of the Corporation. The Audit Committee complies with this requirement.

The following table sets out the names of the members of the Audit Committee and whether they are 'independent' and 'financially literate'.

Name of Member	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Michael Sadhra	No	Yes
Raj Attariwala	Yes	Yes
David Levine (Chairman)	Yes	Yes

Notes:

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

## Relevant Education and Experience

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

1. an understanding of the accounting principles used by the Corporation to prepare its financial statements;

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

are detailed as follows:

Name of Member	Education	Experience
Michael Sadhra	Bachelor of Commerce University of British Columbia 1991  Chartered Accountant Institute of Chartered Accountants of British Columbia 2001	Mr. Sadhra serves as the Chief Financial Officer of Micron Waste Technologies Inc., Director of Cypherpunk Holdings Inc. and Director of Cairo Resources Inc.  Mr. Sadhra is also a partner with Sadhra & Chow LLP (since April 2009).
Raj Attariwala	University of British Columbia with periods of specialized medical training at Memorial Sloan Kettering Cancer Centre (New York), UCLA and USC  PhD in Biomedical Engineering Northwestern University (Evanston, IL)	Dr. Attariwala is a dual board-certified Radiologist and Nuclear Medicine physician certified in both Canada and the United States.  He is a practising physician in British Columbia, Canada and owner of AIM Medical Imaging. He has pioneered advances in the field of whole body medical imaging and authored numerous publications and presented at international medical conferences on whole body imaging and cancer detection.
David Levine (Chairman)	Bachelor of Science Kelly School of Business at Indiana University	Mr. Levine has been operating and investing in companies in the technology and life sciences markets for over 25 years. He has obtained FDA approvals for market entry for medical devices and pharmaceutical products and has advised and executed on multiple merger and acquisition transactions in the life science arena.

## Complaints

If a particular individual, being a Shareholder or an Insider of the Corporation (an “**applicable individual**”), has any concerns about accounting, audit, internal controls or financial reporting matters which they consider to be questionable, incorrect, misleading or fraudulent, the applicable individual is urged to come forward with any such information, complaints or concerns, without regard to the position of the person or persons responsible for the subject matter of the relevant complaint or concern.

The applicable individual may report their concern in writing and forward it to the Chairman of the Audit Committee in a sealed envelope labelled “*To be opened by the Audit Committee only*”. Further, if the applicable individual wishes to discuss any matter with the Audit Committee, this request should be indicated in the submission. Any such envelopes received by the Corporation will be forwarded promptly and unopened to the Chair of the Audit Committee.

Promptly following the receipt of any complaints submitted to it, the Audit Committee will investigate each complaint and take appropriate corrective actions.

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

The Audit Committee did not receive any complaints during the last completed financial year.

### **Audit Committee Oversight**

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

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

Since the commencement of the Corporation’s most recently completed financial year, the Corporation has not relied on:

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

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

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

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

The audit committee has reviewed the nature and amount of the non-audited services provided by the Corporation’s auditor Smythe LLP, Chartered Professional Accountants, and the Corporation’s former auditor, to ensure auditor independence. Fees incurred with Smythe LLP for audit and non-audit services in fiscal years ending August 31, 2018 and August 31, 2017 for audit fees are set out below:

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees<sup>(4)</sup></b>	<b>Total</b>
August 31, 2018	\$19,000	Nil	Nil	Nil	\$19,000
August 31, 2017	\$18,000	Nil	Nil	Nil	\$18,000

#### **Notes:**

- (1) The aggregate fees billed by each of the Corporation’s former auditor and the successor auditor for audit fees.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation’s financial statements and are not disclosed in the “Audit Fees” column.

- (3) The aggregate fees billed for professional services rendered by the Corporation's auditor for tax compliance, tax advice and tax planning.
- (4) The aggregate fees billed for professional services other than those listed in the first three columns.

## **Exemption**

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

## **CORPORATE GOVERNANCE**

### **General**

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices; as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

### **Board of Directors**

The Board has responsibility for the stewardship of the Corporation including responsibility for strategic planning, identification of the principal risks of the Corporation'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 Corporation's internal control and management information systems.

The Board sets long term goals and objectives for the Corporation 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 Corporation to senior management but retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Corporation 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 Corporation'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 Corporation is authorized to act without Board approval, on all ordinary course matters relating to the Corporation's business.

The Board also monitors the Corporation'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 Corporation, other than interests and relationships arising from shareholding: David Levine, and Raj Attariwala. The Board considers that Michael Sadhra, the Chief Financial Officer of the Corporation is not independent because he is a member of management.

## Directorships

Certain of the directors who is presently a director of one or more other public companies, is set out as follows:

Director	Name of Reporting Issuer	Exchange Listed
Michael Sadhra	Cairo Resources Inc.	TSX-V CSE
	Cypherpunk Holdings Inc.	
Raj Attariwala	Cannabix Technologies Inc.	CSE

## Orientation and Continuing Education

The Board takes the following measures to ensure 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 Corporation.

The first step is to assess a new director’s set of skills and professional background since each new director brings a different skill set and professional background. Once that assessment has been completed, the Board is able to determine what orientation to the nature and operations of the Corporation’s business will be necessary and relevant to each new director.

The second step is taken by one or more existing directors, who may be assisted by the Corporation’s management, to provide the new director with the 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 Corporation 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 Corporation is meeting those requirements.
- is cognizant of the Corporation’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 Corporation’s external auditor.
- actively monitors the Corporation’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 BCA, 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 Corporation’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 Corporation.

### **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 Exchange (or such other exchange or self-regulatory organization on which the Corporation's shares are listed for trading) with respect to independence and the following factors:

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

Once a decision has been made to add or replace a director, the task of identifying new candidates will fall on the Corporation'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 compared to their expectation of performance. In doing so, the contributions of an individual director are informally monitored by the other Board members, bearing in mind the business strengths of the individual and the original purpose of nominating that individual to the Board.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **GENERAL**

For the purposes of this Circular, a Named Executive Officer ("NEO") of the Corporation means each of the following individuals:

- (a) a chief executive officer (“CEO”) of the Corporation during the most recently completed financial year;
- (b) a chief financial officer (“CFO”) of the Corporation during the most recently completed financial year; and
- (c) each of the Corporation’s three most highly compensated executive officers, or individuals acting in a similar capacity, other than the CEO and CFO, during the most recently completed financial year if their individual total compensation was more than \$150,000 for that financial year;
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the Corporation, and was not acting in a similar capacity, at the end of that financial year.

**DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION**

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

The following table of compensation, excluding options and compensation securities, provides a summary of the compensation paid by the Corporation to NEOs and directors of the Corporation for the two financial years ended August 31, 2018 and August 31, 2017. Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**” below.

During the Corporation’s completed financial year ended August 31, 2018, the NEOs of the Corporation were: Christopher Moreau, CEO, Michael Sadhra, CFO and director, and Guy La Torre, former President, CEO and director. The directors of the Corporation who were not NEOs during the Corporation’s completed financial year ended August 31, 2018 were Raj Attariwala and David Levine.

During the Corporation’s completed financial year ended August 31, 2017, the NEOs of the Corporation were: Guy La Torre, director and former CEO, Michael Sadhra, CFO and director, and Kal Malhi, director and former President. The directors of the Corporation who were not NEOs during the Corporation’s completed financial year ended August 31, 2017 were Raj Attariwala and David Levine.

**Table of Compensation, Excluding Compensation Securities of the Corporation’s Financial Year ended August 31, 2018**

The following table sets out all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Corporation to each NEO and director, in any capacity, for the Corporation’s financial years ended August 31, 2018 and August 31, 2017.

Table of compensation excluding compensation securities							
Name and Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Christopher Moreau CEO <sup>(1)</sup>	2018	54,000	0	0	0	0	54,000
	2017	N/A	N/A	N/A	N/A	N/A	N/A
Guy La Torre Former CEO & President, Director <sup>(2)</sup>	2018	30,656	0	0	0	0	30,656
	2017	126,758	0	0	0	0	126,758
Kal Malhi Former President, Director	2018	64,000	0	0	0	0	64,000

Table of compensation excluding compensation securities							
Name and Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
<sup>(3)</sup>	2017	92,000	0	0	0	0	92,000
Michael Sadhra CFO, Director	2018	48,000	0	0	0	0	48,000
	2017	48,000	0	0	0	0	48,000
Michael Costanzo Former Chief Technology Officer <sup>(4)</sup>	2018	98,162	0	0	0	0	98,162
	2017	119,578	0	0	0	0	119,578
Raj Attariwala Director	2018	0	0	0	0	0	0
	2017	38,000	0	0	0	0	38,000
David Levine Director	2018	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Alfred Wong VP Corporate Development <sup>(5)</sup>	2018	26,000	0	0	0	0	26,000
	2017	24,000	0	0	0	0	24,000

**Notes:**

- (1) Mr. Moreau was appointed CEO of the Corporation on March 1, 2018.
- (2) Mr. La Torre resigned as CEO, President and Director of the Corporation on September 19, 2017.
- (3) Mr. Malhi resigned as President and Director the Corporation on May 18, 2017.
- (4) Mr. Costanzo resigned as Chief Technology Officer of the Corporation on June 25, 2018.
- (5) Mr. Wong was appointed VP Corporate Development of the Corporation on May 18, 2017.

### **Stock Option Plan and Other Compensation Securities**

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

The Board adopted a 10% “rolling” stock option plan on September 11, 2015 (the “**Option Plan**”) as last ratified, confirmed and approved by shareholders at the Corporation’s April 10, 2017 annual general meeting, and pursuant to which the Board may grant options (the “**Options**”) to purchase Shares to NEOs, directors and employees of the Corporation or affiliated corporations, and to consultants retained by the Corporation.

The purpose of the Option Plan is to attract, retain, and motivate NEOs, directors, employees and other service providers by providing them with the opportunity, through options, to acquire an interest in the Corporation and benefit from the Corporation’s growth. Under the Option Plan, the maximum number of Shares reserved for issuance, including Options currently outstanding, is equal to 10% of the issued and outstanding Shares from time to time (the “10% Maximum”), meaning that, following the exercise, termination, cancellation or expiration of any Options, a number of Shares equivalent to the number of Options so exercised, terminated, cancelled or expired would become available for reserve for issuance in respect of future Option grants.

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

- (a) The number of Shares which may be the subject of Options on a yearly basis to any one person cannot exceed 5% of the number of issued and outstanding Shares at the time of the grant;
- (b) Options may be granted to any employee, officer, director, consultant, affiliate or subsidiary of the Corporation exercisable at a price which is not less than the market price of Shares on the date of the grant;

- (c) The directors of the Corporation may, by resolution, determine the time period during which any Option may be exercised (the “Exercise Period”), provided that the Exercise Period does not contravene any rule or regulation of such exchange on which the Shares may be listed;
- (d) All Options will terminate on the earliest to occur of:
- (i) the expiry of their term;
  - (ii) the date of termination of an optionee’s employment, office or position as director, if terminated for just cause;
  - (iii) 90 days (or such other period of time as permitted by any rule or regulation of such exchange on which the Shares may be listed) following the date of termination of an optionee’s position as a director or NEO, if terminated for any reason other than the optionee’s disability or death; and
  - (iv) 30 days following the date of termination of an optionee’s position as a consultant engaged in investor relations activities, if terminated for any reason other than the optionee’s disability, death, or just cause;
- (e) Options are non-assignable and non-transferable and are subject to early termination in the event of the death of a participant or in the event a participant ceases to be a NEO, director, employee, consultant, affiliate, or subsidiary of the Corporation, as the case may be.

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

The Option Plan was adopted by shareholders at the Company’s April 10, 2017 annual general meeting. A copy of the Option Plan is attached as Appendix “E” to the Company’s Final long form prospectus dated January 28, 2016 as SEDAR filed on the Company’s SEDAR corporate website at [www.sedar.com](http://www.sedar.com) on January 28, 2016.

### **Outstanding Compensation Securities**

#### **Financial year ended August 31, 2018**

The following table sets out all outstanding option-based awards of each NEO and director at financial year ended August 31, 2018.

<b>Compensation Securities</b>							
<b>Name and position</b>	<b>Type of compensation security</b>	<b>Number of compensation securities, number of underlying securities, and percentage of class (# / %)</b>	<b>Date of issue or grant (mm/dd/yyyy)</b>	<b>Issue, conversion or exercise price (\$)</b>	<b>Closing price of security or underlying security on date of grant (\$)</b>	<b>Closing price of security or underlying security at year end (\$)</b>	<b>Expiry date</b>
Christopher Moreau <sup>(1)</sup> CEO	Stock Option	500,000/ 37.74%	03/01/2018	0.24	0.22	0.24	03/01/2023

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class (# / %)	Date of issue or grant (mm/dd/yyyy)	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Michael Sadhra CFO, Director	Stock Option	400,000 / 10.67%	02/01/2016	0.25	N/A	\$0.25	02/01/2021
	Stock Option	100,000/ 14.29%	05/18/2017	0.15	0.13	0.09	05/17/2022
	Stock Option	300,000/ 22.64%	03/01/2018	0.24	0.22	0.24	03/01/2023
Michael Costanzo Former Chief Technology Officer <sup>(2)</sup>	Stock Option	250,000 / 6.67%	02/01/2016	0.25	N/A	\$0.25	02/01/2021
	Stock Option	100,000 / 7.55%	03/01/2018	0.24	0.22	0.24	03/01/2023
Raj Attariwala Director	Stock Option	250,000 / 6.67%	02/01/2016	0.25	N/A	0.25	02/01/2021
	Stock Option	100,000/ 14.29%	05/18/2017	0.15	0.13	0.09	05/17/2022
	Stock Option	100,000 7.55%	03/01/2018	0.24	0.22	0.24	03/01/2023
David Levine Director	Stock Option	400,000 / 10.67%	02/01/2016	0.25	N/A	0.25	02/01/2021
	Stock Option	100,000/ 14.29%	05/18/2017	0.15	0.13	0.09	05/17/2022
	Stock Option	100,000 7.55%	02/01/2018	0.24	0.22	0.24	03/01/2023
Alfred Wong VP Corporate Development <sup>(3)</sup>	Stock Option	200,000/ 28.57%	05/18/2017	0.15	0.13	0.09	05/17/2022
	Stock Option	100,000/ 7.55%	03/01/2018 <sup>(3)</sup>	0.24	0.22	0.24	03/01/2023

**Notes:**

- (1) Mr. Moreau was appointed CEO of the Corporation on March 1, 2018.
- (2) Mr. Costanzo resigned as Chief Technology Officer on June 15, 2018.
- (3) Mr. Wong was appointed VP Corporate Development of the Corporation on May 18, 2017.

**Exercise of Compensation Securities by NEOs and Directors**

There were no option-based securities exercised by an NEO or director at financial year ended August 31, 2018.

**Employment, Consulting and Management Services**

*Christopher Moreau*

The Corporation entered into a Management Consulting Agreement (the “Moreau Agreement”) dated March 1, 2018 with Christopher Moreau whereby he was retained to act as the Corporation’s CEO. The Moreau Agreement provided for the remuneration of Mr. Moreau at the rate of CAD\$9,000 per month (the “Base Fee”).

### *Guy La Torre*

The Corporation entered into an Executive Employment Agreement (the “**La Torre Agreement**”) dated July 1, 2016 with Guy La Torre whereby he was retained to act as the Corporation’s CEO. The La Torre Agreement provided for the remuneration of Mr. La Torre at the rate of US\$8,000 per month. Mr. La Torre resigned as President & CEO of the Corporation on September 19, 2017 at which time the La Torre Agreement was terminated.

### *Michael Costanzo*

The Corporation entered into a Management Agreement (the “Costanzo Agreement”) dated August 15, 2015 with Michael Costanzo, the former CEO of the Corporation. The Costanzo Agreement provided for the remuneration of Mr. Costanzo at the rate of US\$6,700 per month. Additionally, the Corporation also paid a monthly payment of US\$374.74 per month to Mr. Costanzo for health and insurance benefit coverage. Mr. Costanzo resigned as CEO of the Corporation on June 20, 2016 at which time the Costanzo Agreement was terminated. Mr. Costanzo continued his services with the Corporation as Chief Technology Officer (“CTO”) at the same rate of US\$6,700 per month.

On April 1, 2017, the remuneration of Mr. Costanzo was increased to a rate of US\$7,125 per month. The Corporation also continued to pay a monthly payment of US\$374.74 per month to Mr. Costanzo for health and insurance benefit coverage. Mr. Costanzo resigned as CTO of the Corporation on June 15, 2018 at which time the Costanzo Agreement was terminated.

## **Oversight and description of Director and Named Executive Officer Compensation**

### **Elements of the Compensation Program**

The Corporation does not have a compensation committee or a formal compensation policy and relies solely on the Board of Directors (the “Board”) 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 Corporation’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 Corporation, 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 Corporation pursuant to the Corporation’s Stock Option Plan (defined below).

### **Philosophy and Objectives**

The compensation program for the senior management of the Corporation 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 Corporation’s shareholders.

In compensating its senior management, the Corporation has employed a combination of base salary and equity participation through its stock option plan.

The Corporation 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 Corporation and comparable levels of remuneration paid to executives of other companies of comparable size and development. The financial and other resources of the Corporation are also considered since capital management is critical to the Corporation 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.

The Board did not recommend and the Corporation did not increase base salaries during the fiscal year ending August 31, 2018, nor has it increased base salaries since August 31, 2018.

Financial Year ended August 31, 2018

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.

Compensation to key management personnel is as follows:

<b>Years ended August 31</b>		<b>2018</b>		<b>2017</b>
Short-term benefits <sup>(1)</sup>	\$	128,818	\$	284,337
Share-based payment		212,918		129,675
	\$	341,736	\$	414,012

Related party transactions not included in compensation to key management personnel are as follows:

<b>Years ended August 31</b>		<b>2018</b>		<b>2017</b>
Consulting fees – other <sup>(2)</sup>	\$	115,300	\$	197,950
Rent <sup>(3)</sup>		24,000		14,000
	\$	139,300	\$	211,950

- (1) Short-term benefits paid to management personnel:
  - \$30,656 to former Chief Executive Officer (2017 - \$126,758) who resigned from his position on September 19, 2017;
  - \$98,162 to Chief Technology Officer (2017 - \$119,579) who resigned from his position on June 15, 2018 and continued on as a Scientific Advisor on a consulting basis.
  - \$nil to a director of the Company (2017 - \$38,000).
- (2) Fees paid to companies related to management personnel:
  - \$nil (2017 - \$116,000) to a company controlled by the Company’s former President/Director who resigned from his positions on May 18, 2017.
  - \$54,000 (2017 - \$nil) to a company controlled by the Chief Executive Officer who took on the position with the Company on March 1, 2018;
  - \$48,000 (2017 - \$48,000) to a company controlled by the Chief Financial Officer;
  - \$9,000 (2017 - \$30,000) to a company controlled by a director relating to the use of work space and computer equipment;
  - \$4,300 (2017 - \$3,950) for tax services paid to a partnership where a senior officer and director is a partner.
- (3) Rent:
  - \$24,000 (2017 - \$14,000) paid for corporate office space to a company where a senior officer and director is a principal.

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

<b>Years ended August 31</b>		<b>2018</b>		<b>2017</b>
Key management personnel – expense reimbursements	\$	2,660	\$	436
Key management personnel – management fees		3,655		---
	\$	6,315	\$	436

### Bonus Incentive Compensation

The Corporation’s objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Corporation 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 Corporation’s operations.

### Equity Participation

The Corporation 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 Corporation’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 Corporation’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 Corporation’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 Corporation’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 Corporation. 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 Option Plan to encourage share ownership and entrepreneurship on the part of the directors, management and employees. The Board believes that the 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 Shares.

Options are generally granted on an annual basis, subject to the imposition of trading black-out periods, in which case options scheduled for grant will be granted subsequent to the end of the black-out period. All options granted to NEOs are approved by the Board. In monitoring stock option grants, the Board takes into account the level of 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 options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- the exercise price for each option granted;
- the date on which each 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 Option Plan.

#### Risks Associated with the Corporation's Compensation Program

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

#### Hedging by Named Executive Officers or Directors

The Corporation 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 Corporation 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" share option plan. The Corporation's Option Plan was established to provide incentive to qualified parties to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. 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 Corporation's Option Plan is to provide the Corporation with a share related mechanism to enable the Corporation 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 Corporation and to enable and encourage such individuals to acquire shares of the Corporation as long term investments.

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

In the Board's view, there is, and has been, no need for the Corporation 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 Corporation does not offer any long-term incentive plans, share compensation plans or any other such benefit programs for directors.

## Pension Disclosure

The Corporation does not have a pension plan or deferred compensation plan.

## Termination and Change of Control Benefits

Other than described in this Circular, the Corporation has not provided or agreed to provide any compensation to any NEOs as a result of a change of control of the Corporation, its subsidiaries or affiliates.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The only equity compensation plan which the Corporation has in place is its stock option plan. The following table sets out, as at the end of the Corporation's financial year ended August 31, 2018.

### Equity Compensation Plan Information

Plan Category	Number of shares issuable upon exercise of outstanding options <sup>(1)</sup>	Weighted average exercise price of outstanding options	Number of shares remaining available for issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders – the Stock Option Plan	4,295,000	\$0.24	1,494,735
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
<b>Total</b>	<b>4,295,000</b>	<b>\$0.24</b>	<b>1,494,735</b>

Note:

(1) Assuming outstanding options are fully vested.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Corporation were indebted to the Corporation as of the Corporation's first completed financial year end August 31, 2018 or as at the date hereof.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set out below, and in the Corporation's consolidated audited financial statements for financial years August 31, 2018 and August 31, 2017, to the knowledge of management of the Corporation, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Corporation or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries during the year ended August 31, 2018, or has any interest in any material transaction in the current year other than as set out herein.

## Share Exchange Agreement dated October 5, 2018

The Company acquired Nash Pharmaceuticals Inc. by way of share exchange agreement dated October 5, 2018. Pursuant to the share exchange agreement, on October 19, 2018, certain of the below Insiders of the Company were issued common shares in the share capital of the Company at a deemed price of \$0.24 per common share together with a grant of replacement warrants to purchase an additional common shares in the share capital of the Company at a warrant exercise price of 0.15 (the “Replacement Warrants”). The Replacement Warrants expire on September 25, 2019 and certain other Replacement Warrants at a warrant exercise price of \$0.15 also have an expiry date of October 2, 2019 at an exercise price of \$0.15 per share.

Insiders of the Company who were issued common shares and Replacement Warrants under this transaction are: 1) Kulwant Malhi, a 10% security holder of the Company (please refer to Kulwant Malhi Early Warning Report as SEDAR filed under the Company’s SEDAR corporate website at [www.sedar.com](http://www.sedar.com) on January 9, 2019; 2) Christopher Moreau, the CEO of the Company, was issued 750,00 common shares of the Company, and 3) Alfred Wong, VP Corporate Development, was issued 105,000 common shares and 105,000 replacement warrant of the Company.

### MANAGEMENT CONTRACTS

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

### OTHER MATTERS

While there is no other matters other than the matters detailed in the Notice and Access Notice of Meeting to be presented for action by the Shareholders at the Meeting, **it is intended that the Proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

### ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation at Suite 915, 700 West Pender Street, Vancouver, British Columbia V6C 1G8, Canada by mail, telephone (1-604-646-1553) or e-mail ([msadhra@sadhrachow.com](mailto:msadhra@sadhrachow.com)) to request copies of the Corporation’s financial statements and MD&A.

Copies of documents will be provided free of charge to security holders of the Corporation. The Corporation may require the payment of a reasonable charge from any person or company who is not a securityholder of the Corporation, who requests a copy of any such document.

The contents of this Circular has been approved by the Board of the Corporation.

**DATED** this 25<sup>th</sup> day of March, 2019.

### ON BEHALF OF THE BOARD OF DIRECTORS

/s/ “MICHAEL SADHRA”

Michael Sadhra  
Chief Financial Officer

**SCHEDULE “A”**  
**Audit Committee Charter**  
**of**  
**ALGERNON PHARMACEUTICALS INC.**

**1. PURPOSE AND PRIMARY RESPONSIBILITY**

1.1 This charter sets out the Audit Committee’s purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the “**Board**”) of Algernon Pharmaceuticals Inc. (the “**Corporation**”), annual evaluation and compliance with this charter.

1.2 The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

**2. MEMBERSHIP**

2.1 At least one of the members of the Audit Committee must be an independent director of the Corporation as defined in sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), provided that should the Corporation become listed on a more senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.

2.2 The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.

2.3 The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.

2.4 The Chair of the Audit Committee will be appointed by the Board.

**3. AUTHORITY**

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

- (a) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;
- (b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and

(c) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Corporation.

#### **4. DUTIES AND RESPONSIBILITIES**

4.1 The duties and responsibilities of the Audit Committee include:

- (a) recommending to the Board the external auditor to be nominated by the Board;
- (b) recommending to the Board the compensation of the external auditor to be paid by the Corporation in connection with (i) preparing and issuing the audit report on the Corporation's financial statements, and (ii) performing other audit, review or attestation services;
- (c) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);
- (d) overseeing the work of the external auditor;
- (e) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to Corporation;
- (f) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
- (g) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Corporation's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
- (h) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Corporation's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;
- (i) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Corporation and its subsidiaries;
- (j) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;

- (k) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;
- (l) reviewing the external auditor's report to the shareholders on the Corporation's annual financial statements;
- (m) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;
- (n) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements that such information is fairly presented;
- (o) overseeing the adequacy of the Corporation's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;
- (p) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;
- (q) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Corporation and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;
- (r) satisfying itself that management has developed and implemented a system to ensure that the Corporation meets its continuous disclosure obligations through the receipt of regular reports from management and the Corporation's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;
- (s) resolving disputes between management and the external auditor regarding financial reporting;
- (t) establishing procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Corporation from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
  - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (u) reviewing and approving the Corporation's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (v) pre-approving all non-audit services to be provided to the Corporation or any subsidiaries by the Corporation's external auditor;

- (w) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;
- (x) establishing procedures for:
  - (i) reviewing the adequacy of the Corporation’s insurance coverage, including the Directors’ and Officers’ insurance coverage;
  - (ii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer (“CFO”) and the staff in the financial reporting area and ensuring that matters related to succession planning within the Corporation are raised for consideration at the Board;
  - (iii) obtaining reasonable assurance as to the integrity of the Chief Executive Officer (“CEO”) and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Corporation;
  - (iv) reviewing fraud prevention policies and programs, and monitoring their implementation;
  - (v) reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Corporation’s compliance with laws and regulations having a material impact on the financial statements including:
    - (A) Tax and financial reporting laws and regulations;
    - (B) Legal withholding requirements;
    - (C) Environmental protection laws and regulations;
    - (D) Other laws and regulations which expose directors to liability; and

4.2 A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

4.3 On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Corporation has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

## **5. MEETINGS**

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

5.2 The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

5.3 The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Corporation at least annually to review the financial affairs of the Corporation.

5.4 The Audit Committee will meet with the external auditor of the Corporation in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

5.5 The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

5.6 Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

## **6. REPORTS**

6.1 The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

6.2 The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

## **7. MINUTES**

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

## **8. ANNUAL PERFORMANCE EVALUATION**

8.1 The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.