

Kalon Acquisition Corp.
(A Capital Pool Company)

Financial Statements

For the Years Ended July 31, 2021 and 2020

(Expressed in Canadian Dollars)

To the Shareholders of Kalon Acquisition Corp.:

Opinion

We have audited the financial statements of Kalon Acquisition Corp. (the "Corporation"), which comprise the statements of financial position as at July 31, 2021 and 2020, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2021 and July 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

MNP LLP

Toronto, Ontario
November 26, 2021

Chartered Professional Accountants
Licensed Public Accountants

MNP

Kalon Acquisition Corp.
Statements of Financial Position

	As at July 31, 2021	As at July 31, 2020
Assets		
Current assets		
Cash and cash held in trust	\$ 433,092	\$ 521,379
Prepaid expenses and deposits	16,205	-
Total current assets	<u>449,297</u>	<u>521,379</u>
Total Assets	\$ 449,297	\$ 521,379
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 22,686	\$ 16,716
Total current liabilities	<u>22,686</u>	<u>16,716</u>
Shareholders' equity		
Share capital, net of issue costs (Note 3)	642,466	642,466
Contributed surplus	100,520	100,520
Accumulated deficit	(316,375)	(238,323)
Total shareholders' equity	<u>426,611</u>	<u>504,663</u>
Total Liabilities and Shareholders' Equity	\$ 449,297	\$ 521,379

The accompanying notes are an integral part of these financial statements

Approved by the Board of Directors

(signed) "Mudit Paliwal"

 Mudit Paliwala, CEO

(signed) "Andrew Benjamin"

 Andrew Benjamin, CFO

Kalon Acquisition Corp.

Statements of Loss and Comprehensive Loss

For the Years Ended

July 31, 2021 July 31, 2020

Expenses

Listing fees	\$ 3,182	\$ 13,338
Professional fees	70,508	106,395
Bank charges	746	590
Transfer agent fees	3,616	-
Share based compensation	-	79,644

Total expenses	78,052	199,967
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Net loss and comprehensive loss	\$ (78,052)	\$ (199,967)
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Net loss per share, basic and diluted	\$ (0.02)	\$ (0.57)
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Weighted Average shares outstanding, basic and diluted	4,000,000	350,685
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The accompanying notes are an integral part of these financial statements

Kalon Acquisition Corp.**Statements of Changes in Shareholders' Equity****For the Years Ended July 31, 2021 and July 31, 2020**

	SHARE CAPITAL Number of Common Shares	SHARE CAPITAL Common shares \$	CONTRIBUTED SURPLUS \$	ACCUMULATED DEFICIT \$	TOTAL SHAREHOLDERS' EQUITY \$
Balance, July 31, 2019	6,780,000	336,975	-	(38,356)	298,619
Share subscription (Note 3)	4,000,000	400,000	-	-	400,000
Issuance costs (cash)	-	(73,633)	-	-	(73,633)
Issuance costs (agent warrants)	-	(20,876)	20,876	-	-
Share based compensation	-	-	79,644	-	79,644
Net loss for the year	-	-	-	(199,967)	(199,967)
Balance, July 31, 2020	10,780,000	642,466	100,520	(238,323)	504,663
Net loss for the year	-	-	-	(78,052)	(78,052)
Balance, July 31, 2021	10,780,000	642,466	100,520	(316,375)	426,611

The accompanying notes are an integral part of these financial statements

Kalon Acquisition Corp.

Statements of Cash Flows

For the Years Ended

July 31, 2021 July 31, 2020

Cash provided by (used in)

Operating activities

Net loss for the year	\$ (78,052)	\$ (199,967)
Item not involving cash:		
Share based compensation	-	79,644
Working capital adjustments:		
Increase in prepaid deposits	(16,205)	-
Increase (decrease) in accounts payable and accrued liabilities	5,970	(3,289)

Net cash used in operating activities

(88,287) (123,612)

Financing activities

Share subscription	-	400,000
Issuance costs (cash)	-	(73,633)

Net cash provided by financing activities

- 326,367

Increase (decrease) in cash for the year

(88,287) 202,755

Cash, beginning of year

521,379 318,624

Cash, end of year

\$ 433,092 \$ 521,379

The accompanying notes are an integral part of these financial statements

Kalon Acquisition Corp.
Notes to the Financial Statements
For the Years Ended July 31, 2021 and July 31, 2020
(Expressed in Canadian Dollars)

1. INCORPORATION AND NATURE OF BUSINESS

Kalon Acquisition Corp. (the "Corporation") was incorporated under the *British Columbia Business Corporations Act* on April 3, 2019 and is a Capital Pool Company as defined under Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash and cash held in trust and prepaid expenses and deposits. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

The head office and registered head office of the Corporation is located at 885 West Georgia Street, Suite 2200, Vancouver, BC V6C 3E8. The Corporation's common shares trade on the TSX Venture Exchange under the symbol KAC.P. The Corporation's public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval ("SEDAR") at www.sedar.com.

On November 26, 2021, the Board of Directors approved the financial statements for the year ended July 31, 2021 and July 31, 2020.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. As of the date of these financials, the Corporation does not believe that the effect of COVID-19 will have an impact on its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Basis of Presentation

The financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVPTL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Common shares escrowed pursuant to the requirements of the Exchange are excluded from the number of outstanding common shares.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Share-based Compensation

Equity-settled share-based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation's expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Instruments

Recognition

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss, and (ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash is classified as assets at fair value and any period change in fair value is recorded in profit or loss.

Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Kalon Acquisition Corp.
Notes to the Financial Statements
For the Years Ended July 31, 2021 and July 31, 2020
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Instruments – continued

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash is a level 1 financial instrument measured at fair value on the statements of financial position.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3. SHARE CAPITAL

Authorized

Unlimited common shares

Issued

The following table sets out the changes in common shares during the period.

	Number of Common Shares	Amount \$
Balance, July 31, 2019 (i)	6,780,000	336,975
Share subscription (ii)	4,000,000	400,000
Issuance costs (cash) (ii)	-	(73,633)
Issuance costs (agent warrants) (ii)	-	(20,876)
Balance, July 31, 2021 and July 31, 2020	10,780,000	642,466

Kalon Acquisition Corp.
Notes to the Financial Statements
For the Years Ended July 31, 2021 and July 31, 2020
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3. SHARE CAPITAL – continued

(i) Escrowed Shares

During the period ended July 31, 2019, the Corporation issued 6,780,000 common shares at \$0.05 per share for gross proceeds of \$339,975. Share issuance costs of \$3,000 were associated with these issuances. All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow. At July 31, 2021, 6,780,000 shares are held in escrow.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued.

(ii) Initial Public Offering

On June 29, 2020, the Corporation completed its Initial Public Offering (“IPO”) of 4,000,000 common shares at \$0.10 per share for total proceeds of \$400,000. The Corporation paid a commission of 10% of the gross proceeds to Haywood Securities Inc. (the “Agent”) and granted to the Agent, common share purchase warrants to acquire 400,000 common shares (the “Warrants”). Each Warrant is exercisable to acquire one common share at a price of \$0.10 until June 29, 2022. The Corporation also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the IPO. Cash issuance costs of \$73,633 were directly related to the IPO and the fair value attributed Warrants was \$20,876.

Stock Options and Warrants

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

Any shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions.

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and Warrants	Weighted Average Exercise Price (\$)
Balance, July 31, 2019	-	-
Granted to agent (i)	400,000	0.10
Granted to management (ii)	1,078,000	0.10
Balance, July 31, 2021 and July 31, 2020	1,478,000	0.10

Kalon Acquisition Corp.
Notes to the Financial Statements
For the Years Ended July 31, 2021 and July 31, 2020
(Expressed in Canadian Dollars)

3. SHARE CAPITAL – continued

Stock Options and Warrants – continued

i. On June 29, 2020 the Corporation granted to the Agent, common share purchase warrants to acquire 400,000 common shares (the “Warrants”). Each Warrant is exercisable to acquire one common share at a price of \$0.10 until June 29, 2022. The Warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.10, dividend yield 0%, risk-free interest rate of 0.29%, expected volatility of 100% and an expected life of two years. The fair value attributed to the Warrants was \$20,876.

ii. On June 29, 2020, the Corporation granted 1,078,000 common share purchase options to directors and officers. Each common share purchase option entitles the holder to acquire one common share of the Corporation at an exercise price of \$0.10 until June 29, 2030. The options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.10, dividend yield 0%, risk-free interest rate of 0.36%, expected volatility of 100% and an expected life of five years. The fair value attributed to the options was \$79,644.

The following table reflects the stock options and warrants issued and outstanding as of July 31, 2021 and July 31, 2020, respectively:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Stock Options and Warrants Outstanding	Number of Stock Options and Warrants Vested (Exercisable)
June 29, 2022	\$0.10	0.91	400,000	400,000
June 29, 2030	\$0.10	8.92	1,078,000	1,078,000
	\$0.10	6.75	1,478,000	1,478,000

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Stock Options and Warrants Outstanding	Number of Stock Options and Warrants Vested (Exercisable)
June 29, 2022	\$0.10	1.91	400,000	400,000
June 29, 2030	\$0.10	9.92	1,078,000	1,078,000
	\$0.10	7.75	1,478,000	1,478,000

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital and accumulated deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Kalon Acquisition Corp.
Notes to the Financial Statements
For the Years Ended July 31, 2021 and July 31, 2020
(Expressed in Canadian Dollars)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES- continued

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

Risk Disclosures and Fair Values

The Corporation's financial instruments, consisting of cash and cash held in trust and accounts payable and accrued liabilities, approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year ended July 31, 2021. During the year ended July 31, 2020, the Corporation granted 1,078,000 stock options to directors and officers of the Corporation and recorded share based compensation expense of \$79,644.

6. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2020 - 27%) to the effective tax rate is as follows:

	2021 \$	2020 \$
Net income (loss) before recovery of income taxes	(78,052)	(199,967)
Expected income tax (recovery) expense	(21,070)	(53,990)
Share based compensation	-	21,500
Share issuance cost booked directly to equity	-	(25,520)
Changes in tax benefits not recognized	21,070	58,010
Income tax (recovery)	-	-

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2021 \$	2020 \$
Capitalized expenses	29,290	-
Share issuance costs	58,310	77,810
Operating losses carried forward	246,640	178,380
	334,240	256,190

The operating tax loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2024. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits therefrom.

Kalon Acquisition Corp.
Notes to the Financial Statements
For the Years Ended July 31, 2021 and July 31, 2020
(Expressed in Canadian Dollars)

6. INCOME TAXES - continued

The Corporation's operating losses expire as follows:

The Corporation's operating losses expire as follows:

2039	38,550
2040	139,820
2041	68,260
	<u>\$ 246,640</u>