

Kalon Acquisition Corp.

(A Capital Pool Corporation)

Management's Discussion and Analysis

For the Year Ended July 31, 2021

(Expressed in Canadian Dollars)

The following Management's Discussion and Analysis ("MD&A") of Kalon Acquisition Corp. (the "Corporation" or "Kalon") for the year ended July 31, 2021, should be read in conjunction with the Corporation's audited financial statements for the years ended July 31, 2021 and July 31, 2020, together with notes thereto (the "Financial Statements"). The Corporation's Financial Statements for the year ended July 31, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). All amounts herein are presented in Canadian dollars, unless otherwise noted. This Management's Discussion and Analysis is dated November 26, 2021, and has been approved by the Board of Directors of the Corporation.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

OVERVIEW

Kalon Acquisition Corp. was incorporated under the *British Columbia Business Corporations Act* on April 3, 2019 and is classified as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") Corporate Finance Manual (the "Manual"). The head office and the registered head office of the Corporation is located at 885 West Georgia Street, Suite 2200, Vancouver, BC V6C 3E8.

The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT") as such term is contemplated in the Manual. The Corporation has not commenced operations and has no assets other than cash and cash held in trust and prepaid expenses and deposits. The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

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's shares were first listed on the Exchange.

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.

OVERALL PERFORMANCE

For the year ended July 31, 2021, the Corporation recorded a net loss and comprehensive loss of \$78,052, down by \$121,915 compared to a net loss and comprehensive loss of \$199,967 for the year ended July 31, 2020. The net loss per share, basic and diluted for the year ended July 31, 2021 was \$0.01 versus a net loss per share, basic and diluted of \$0.57 for the year ended July 31, 2020.

The decrease in net loss experienced during fiscal 2021 compared to the prior twelve month period in 2020, was primarily related to a decrease of \$79,644 in share based compensation expense to Nil compared to \$79,644 recorded in the prior fiscal year upon the issuance of 1,078,000 stock options to directors and officers, a decrease of \$60,262 in professional fees to \$46,133 versus professional fees of \$106,395 for the same twelve month period in the previous year, and a decrease in listing fees of \$6,540 to \$6,798 (inclusive of \$3,616 transfer agent fees) compared to \$13,338 recorded in the prior year in 2020. The overall higher costs experienced during fiscal 2020 were primarily related to the Corporation's IPO.

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 to the Warrants was \$20,876.

Upon closing of the IPO, 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.

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 and recorded share issuance costs of \$3,000.

RESULTS OF OPERATIONS

For the year ending	July 31, 2021 (\$)	July 31, 2020 (\$)
Total assets	449,297	521,379
Total revenue	-	-
Total expenses	78,052	199,967
Net loss and comprehensive loss	78,052	199,967
Net loss per share, basic and diluted	(0.01)	(0.57)

For the year ended July 31, 2021, the Corporation recorded a net loss and comprehensive loss of \$78,052 and a net loss per share of \$0.01 compared to a net loss and comprehensive loss of \$199,967 and a net loss per share of \$0.57 for the year ended July 31, 2020.

The net loss and comprehensive loss for fiscal 2021 decreased by \$121,915 compared to the net loss and comprehensive loss for the year ended July 31, 2020. The decrease in net loss experienced during fiscal 2021 compared to the prior twelve month period in 2020, was primarily related to a decrease of \$79,644 in share based compensation expense to Nil compared \$79,644 recorded in the prior fiscal year upon the issuance of 1,078,000 stock options to directors and officers, a decrease of \$35,887 in professional fees to \$70,508 versus professional fees of \$106,395 for the same twelve month period in the previous year, and a decrease in listing fees of \$6,540 to \$6,798 (inclusive of \$3,616 transfer agent fees) compared to \$13,338 recorded in the prior year in 2020. The overall higher costs experienced during fiscal 2020 were primarily related to the Corporation's IPO.

For the three months ended July 31, 2021, the Corporation recorded a net loss and comprehensive loss of \$46,627 down by \$62,642 compared to a net loss and comprehensive loss of \$109,269 for the three months ended July 31, 2020. For the three months ended July 31, 2021, the net loss per share, basic and diluted was \$0.01 compared to a net loss per share, basic and diluted of \$0.31 for the three months ended July 31, 2020.

The decrease in net loss for the three months ended July 31, 2021 when compared to the prior three month period 2020 was mainly attributed to a decrease of \$79,644 in share based compensation expense to Nil compared \$79,644 recorded in the prior three month period upon the issuance of 1,078,000 stock options to directors and officers and a decrease of \$221 in bank charges to \$278 compared to \$499 for the same three month period ended July 31, 2020. These decreases were partially offset by an increase in professional fees of \$18,011 to \$47,137 compared to \$29,126 in 2020. During the current three month period in 2021, the Corporation received a refund of \$3,500 in filing fees.

SUMMARY OF QUARTERLY RESULTS

The following table reflect the summary of quarterly results for the periods set out.

For the quarter ending	July 31, 2021 (\$)	April 30, 2021 (\$)	January 31, 2021 (\$)	October 31, 2020 (\$)
Total assets	449,297	474,329	491,616	504,400
Total revenue	-	-	-	-
Total expenses	46,627	11,279	16,833	3,313
Net loss	(46,627)	(11,279)	(16,833)	(3,313)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.00)

For the three months ended July 31, 2021, the Corporation recorded a net loss and comprehensive loss of \$46,627 and a net loss per share, basic and diluted of \$0.01 and recorded transfer agent fees of \$2,712, professional fees of \$47,137, bank charges of \$278 and received a refund of \$3,500 in filing fees.

During the quarter ended April 30, 2021, the Corporation recorded a net loss and comprehensive loss of \$11,279 and a net loss per share, basic and diluted of \$0.00 and recorded listing fees of \$6,364 and professional fees of \$4,782.

For the three months ended January 31, 2021, the Corporation recorded a net loss and comprehensive loss of \$16,833 and a net loss per share, basic and diluted of \$0.00. The loss for the three months was mainly related professional fees recorded of \$16,660.

During the quarter ended October 31, 2020, the Corporation recorded a net loss and comprehensive loss of \$3,313 and a net loss per share, basic and diluted of \$0.00. The costs incurred were primarily related to professional fees of \$1,929 and listing fees of \$1,197.

For the quarter ending	July 31, 2020 (\$)	April 30, 2020 (\$)	January 31, 2020 (\$)	October 31, 2019 (\$)
Total assets	521,379	237,121	295,402	295,696
Total revenue	-	-	-	-
Total expenses	109,269	28,944	25,931	35,823
Net loss	(109,269)	(28,944)	(25,931)	(35,823)
Basic and diluted loss per share	(0.31)	(0.00)	(0.00)	(0.00)

For the three months ended July 31, 2020, the Corporation recorded a net loss and comprehensive loss of \$109,269 and a net loss per share, basic and diluted of \$0.31. The increase in net loss for the period was primarily attributed to the Corporation recording the share based compensation of \$79,644 as well as increased professional fees related to the Corporation's IPO.

During the quarter ended April 30, 2020, the Corporation recorded a net loss and comprehensive loss of \$28,944 and a net loss per share, basic and diluted of \$0.00. The loss was primarily related to professional fees including legal and accounting costs.

For the three months ended January 31, 2020, the Corporation recorded a net loss and comprehensive loss of \$25,931 and a net loss per share, basic and diluted of \$0.00. The loss for the three months was mainly related to legal and professional costs.

During the quarter ended October 31, 2019, the Corporation recorded a net loss and comprehensive loss of \$35,823 and a net loss per share, basic and diluted of \$0.00. The costs incurred were primarily related to stock exchange fees and legal fees.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation (April 3, 2019) to the date of this MD&A.

CAPITAL EXPENDITURES

The Corporation has not had any capital expenditures from the date of its incorporation (April 3, 2019) to July 31, 2021.

FINANCING ACTIVITIES

During the year ended July 31, 2021, the Corporation had no financing activities. During the year ended July 31, 2020, the Corporation issued 4,000,000 common shares at \$0.10 per share for total proceeds of \$400,000 and recorded cash issuance costs of \$73,633.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2021, the Corporation had current assets of \$449,297, which was comprised of cash and cash held in trust of \$433,092 (July 31, 2020: \$521,379) and prepaid expenses and deposits of \$16,205 (July 31, 2020: Nil). In addition, the Corporation had current liabilities comprised of accounts payable and accrued liabilities of \$22,686 (July 31, 2020: \$16,716) and working capital of \$426,611 (July 31, 2020: \$504,663) which the Corporation deems sufficient to meet its ongoing obligations in the coming year.

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

(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 and recorded share issuance costs of \$3,000.

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

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

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.

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, contributed surplus 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.

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.

RISKS AND UNCERTAINTIES

The following describes certain risks, events and uncertainties that could affect the Corporation and that each reader should carefully consider. Please refer to the Corporation's final prospectus dated March 30, 2020 for additional risks, events and uncertainties that could affect the Corporation.

External financing may be required to fund the Corporation's activities primarily through the issuance of common shares. There can be no assurance that the Corporation will be able to obtain adequate financing. The securities of the Corporation should be considered a highly speculative investment.

The Corporation has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Corporation generates significant revenues in the future, the Corporation intends to retain its earnings in order to finance further growth. Furthermore, the Corporation has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

RISK DISCLOSURES AND FAIR VALUES

The Corporation's financial instruments, consisting of cash and cash held in trust and deposits 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.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Corporation's significant accounting policies and critical accounting estimates are summarized in Note 2 to the Financial Statements for the year ended July 31, 2021 and July 31, 2020.

Use of Estimates and Judgments

The preparation of the 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.