Kalon Acquisition Corp.

(A Capital Pool Corporation)

Management's Discussion and Analysis

For the Three Months Ended October 31, 2023 and 2022

(Expressed in Canadian Dollars)

The following Management's Discussion and Analysis ("MD&A") of Kalon Acquisition Corp. (the "Corporation" or "Kalon") should be read in conjunction with the Corporation's Unaudited Condensed Interim Financial Statements for the three months ended October 31, 2023, and 2022, together with notes thereto. This Management's Discussion and Analysis is dated December 1, 2023, and has been approved by the Board of Directors of the Corporation.

The Corporation's Unaudited Condensed Interim Financial Statements for the three months ended October 31, 2023, were prepared using the same accounting policies and methods of computation as those described in our Financial Statements for the year ended July 31, 2023. Any subsequent changes to IFRS, that are given effect in the Corporation's annual financial statements for the year ended July 31, 2024, could result in restatement of the Unaudited Condensed Interim Financial Statements. The Unaudited Condensed Interim Financial Statements should be read in conjunction with the Financial Statements for the year ended July 31, 2023. All amounts herein are presented in Canadian dollars, unless otherwise noted.

The Unaudited Condensed Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by IFRIC.

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. (the "Corporation") was incorporated under the *British Columbia Business Corporations Act* on April 3, 2019, and is a Capital Pool Company ("CPC") 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 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 $3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange Policy 2.4.

In accordance with changes to the Exchange Policy 2.4, which were effective on January 1, 2021, the Corporation sought and obtained shareholder approval at a meeting of the shareholders' held on July 8, 2022, (a) remove the consequences of failing to complete a QT within 24 months of listing as set out in section 15.2(b) (i) of the New CPC Policy; or cancel certain of its Seed Shares and move its listing to NEX as set out in section 14.13 of the Former Policy; b) reduce the length of the escrow period for the 6,780,000 escrowed shares from 36 months to 18 months in accordance with amendments to Policy 2.4 of the Exchange; and c) amend the Corporation's stock option plan from a fixed 10% plan to a rolling 10% plan.

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.

PROPOSED TRANSACTION

On September 29, 2023, the Corporation entered into a term sheet with Pharmachal Health Group Pty Ltd ("Pharmachal"), based in Melbourne, Australia which is an arms-length pharmaceutical, medical device and veterinary company specialising in nano drug delivery.

Pursuant to the terms of the term sheet, the Corporation and Pharmachal will negotiate and enter into a definitive agreement incorporating the principal terms of the term sheet (the "Definitive Agreement"), whereby the parties will combine their respective businesses by way of a share exchange, merger, amalgamation, plan of arrangement, or such other similar form of transaction (the "Proposed Transaction").

The Proposed Transaction, if completed, will constitute the Corporation's Qualifying Transaction (as such term is defined in Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange (the "TSX-V")). Upon completion of the Proposed Transaction, the Resulting Issuer will carry on the business of Pharmachal and intends to list as a Tier 2 life sciences issuer on the TSX-V.

The Proposed Transaction contemplated, is subject to certain conditions and applicable shareholder approval, corporate and Exchange approvals in order to constitute the Corporation's Qualifying Transaction. No assurances are being made that the Qualifying Transaction will be consummated.

OVERALL PERFORMANCE

For the three months ended October 31, 2023, the Corporation recorded a net loss and comprehensive loss of $16,788 compared to a net loss and comprehensive loss of $3,552 for the three months ended October 31, 2022. The net loss per share, basic and diluted for the three months ended October 31, 2023, was $0.00 versus a net loss per share, basic and diluted of $0.00 for the three months ended October 31, 2022.

RESULTS OF OPERATIONS

	For the Three Months Ended October 31,	
	2023 ($)	**2022 ($)**
Total assets	227,016	307,316
Total expenses	16,788	3,552
Net loss and comprehensive loss	16,788	3,552
Net loss per share, basic and diluted	(0.00)	(0.00)

For the three months ended October 31, 2023, the Corporation recorded a net loss and comprehensive loss of $16,788 up by $13,236 compared to a net loss and comprehensive loss of $3,552 for the three months ended October 31, 2022. The net loss per share, basic and diluted for the three months ended October 31, 2023, was $0.00 versus a net loss per share, basic and diluted of $0.00 for the three months ended October 31, 2022.

The increase in net loss experienced during the three months ended October 31, 2023, compared to the three months ended October 31, 2022, was primarily related to an increase of $7,804 in professional fees to $11,211 compared to $3,407 for the three months ended October 31, 2022, and an increase in filing fees of $5,516 versus $nil for the three months ended October 31, 2022. For the three months ended October 31, 2023, the Corporation recorded bank charges of $61 versus $145 for the three months ended October 31, 2022.

SUMMARY OF QUARTERLY RESULTS

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

For the quarter ending	**October 31, 2023 ($)**	**July 31, 2023 ($)**	**April 30, 2023 ($)**	**January 31, 2023 ($)**
Total assets	**227,016**	**229,886**	**235,872**	255,148
Total expenses	16,788	22,253	8,846	9,277
Net loss	16,788	22,253	8,846	9,277
Net loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

For the three months ended October 31, 2023, the Corporation recorded a net loss and comprehensive loss of $16,788 and a net loss per share, basic and diluted of $0.00 and recorded professional fees of $11,211, listing fees of $5,516 and bank charges of $61.

For the three months ended July 31, 2023, the Corporation recorded a net loss and comprehensive loss of $22,253 and a net loss per share, basic and diluted of $0.00 and recorded professional fees of $21,828, listing fees of $464 and bank charges of $61.

For the three months ended April 30, 2023, the Corporation recorded a net loss and comprehensive loss of $8,846 and a net loss per share, basic and diluted of $0.00 and recorded professional fees of $3,321, bank charges of $65 and listing fees of $5,460.

For the three months ended January 31, 2023, the Corporation recorded a net loss and comprehensive loss of $9,277 and a net loss per share, basic and diluted of $0.00 and recorded professional fees of $6,355, listing fees of $2,743 and bank charges of $179.

For the quarter ending	**October 31, 2022 ($)**	**July 31, 2022 ($)**	**April 30, 2022 ($)**	**January 31, 2022 ($)**
Total assets	307,316	334,939	388,194	405,185
Total expenses	3,552	134,470	13,529	26,092
Net loss	3,552	(134,470)	(13,529)	(26,092)
Net loss per share, basic and diluted	(0.00)	(0.03)	(0.00)	(0.01)

For the three months ended October 31, 2022, the Corporation recorded a net loss and comprehensive loss of $3,552 and a net loss per share, basic and diluted of $0.00 and recorded professional fees of $3,407 and bank charges of $145.

For the three months ended July 31, 2022, the Corporation recorded a net loss and comprehensive loss of $134,470 and a net loss per share, basic and diluted of $0.03 and recorded professional fees of $130,398, listing fees of $1,313, transfer agent fees of $301, annual meeting costs of $2,278 and bank charges of $180.

For the three months ended April 30, 2022, the Corporation recorded a net loss and comprehensive loss of $13,529 and a net loss per share, basic and diluted of $nil and incurred professional fees of $7,357, bank charges of $130, transfer agent fees of $582 and stock exchange fees of $5,460.

For the three months ended January 31, 2022, the Corporation recorded a net loss and comprehensive loss of $26,092 and a net loss per shares, basic and diluted of $nil and incurred professional fees of $21,775, transfer agent fees of $924, bank charges of $250 and listing fees of $3,143.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred from the date of incorporation (April 3, 2019) to October 31, 2023:

Material Costs	**Period from the date of incorporation (April 3, 2019) to October 31, 2023**	
Professional fees	$	403,110
Bank charges	$	2,602
Listing fees	$	61,905
Annual meeting costs	$	2,278
Transfer agent fees	$	6,630
Stock based compensation	$	79,644

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 October 31, 2023.

FINANCING ACTIVITIES

During three months ended October 31, 2023, and for the year ended July 31, 2023, the Corporation had no financing activities.

LIQUIDITY AND CAPITAL RESOURCES

As at October 31, 2023, the Corporation had current assets of $227,016 which was comprised of cash of $211,529 (July 31, 2023: $214,399) and prepaid expenses and deposits of $15,487 (July 31, 2023: $15,487). In addition, the Corporation had current liabilities comprised of accounts payable and accrued liabilities of $40,199 (July 31, 2023: $26,281) and working capital of $186,817 (July 31, 2023: $203,605) 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, October 31, 2023, July 31, 2023, and July 31, 2022 (i) (ii)	**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. 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 QT 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 October 31, 2023, 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 QT, 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 on a rolling basis. 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 QT 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, October 31, 2023, July 31, 2023 and July 31, 2022 (i) (ii)	**1,078,000**	**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 and on June 29, 2022, the 400,000 warrants expired unexercised.

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 issued and outstanding as of October 31, 2023, and July 31, 2022, 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, 2030	$0.10	6.67	1,078,000	1,078,000

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, 2030	$0.10	6.92	1,078,000	1,078,000

RELATED PARTY TRANSACTIONS

There were no related party transactions during the three months ended October 31, 2023 (year ended July 31, 2022: $Nil).

CAPITAL MANAGEMENT

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 the shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of share capital and 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 share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to $3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation as defined under the policies of 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, carried at amortized cost, consist of accounts payable and accrued liabilities, which approximate fair value due to the relatively short-term maturities 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 Unaudited Condensed Interim Financial Statements for the three months ended October 31, 2023, and 2022.

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.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Financial Statements are:

Fair Value of Stock Based Compensation and Warrants

In determining the fair value of share-based payments the calculated amounts are not based on historical cost but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a valuation model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Corporation's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

Income Tax

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.