FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Kalon Acquisition Corp. ("**Kalon**")
c/o Suite 2200, 885 West Georgia Street
Vancouver, British Columbia
Canada, V6C 3E8

Item 2. Dates of Material Changes

December 20, 2023

Item 3. News Release

A news release was disseminated through Stockwatch on December 21, 2023, and subsequently filed under Kalon's profile on SEDAR+ at www.sedarplus.ca.

Item 4. Summary of the Material Changes

On December 20, 2023, Kalon entered into a definitive share exchange agreement (the "**Definitive Agreement**"), pursuant to which Kalon agreed to acquire all of the outstanding share capital of Pharmachal Health Group Pty Ltd., an arms-length pharmaceutical, medical device and veterinary company based in Melbourne, Australia ("**Pharmachal**").

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

On December 20, 2023, Kalon entered into the Definitive Agreement, pursuant to which Kalon agreed to acquire all of the outstanding share capital of Pharmachal, an arms-length pharmaceutical, medical device and veterinary company based in Melbourne, Australia. Under the terms of the Definitive Agreement, Kalon will acquire all the outstanding shares of Pharmachal from the shareholders of Pharmachal in exchange for common shares of Kalon, which transaction is intended to constitute Kalon's Qualifying Transaction (as such term is defined in Policy 2.4 – *Capital Pool Companies* ("**Policy 2.4**") of the TSX Venture Exchange (the "**TSX-V**")) (the "**Transaction**"). Upon completion of the Transaction, Kalon (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.

Pharmachal is a Melbourne-based pharmaceutical development company specialising in nano drug-delivery. Pharmachal's Nano Drug Delivery System ("**NDDS**") is the only patent-certified, clinically-trialed and approved formulae that releases an active nanoparticle drug encapsulated in oil into the blood. Its 3% lidocaine NDDS product NOPAYNE™, which was developed under the supervision of renowned burns doctor Professor Fiona Wood AO, is in the final stages of commercialisation and is expected to provide breakthrough relief for burns, cuts, wounds and a range of other indications. Pharmachal was incorporated on December 1, 2015, and its controlling shareholders are Charlie Fridlender and Alan Leeming.

Pursuant to the Definitive Agreement, Kalon has agreed to acquire all of the issued and outstanding shares of Pharmachal. Each Pharmachal shareholder will receive, in exchange for each Pharmachal share it holds, 1.71422 common shares in the capital of Kalon at a deemed issuance price of $0.18893 per share, resulting in the issuance of 106,722,000 Kalon common shares, prior to giving effect to a share consolidation of Kalon's common shares (the "**Consolidation**") at a Consolidation ratio to be agreed to by the parties prior to the closing of the Transaction (the "**Closing**"). At Closing, and prior to giving effect to the Concurrent Financing (as defined below) and the Consolidation, it is expected that (i) an aggregate of 117,502,000 Kalon common shares (the "**Resulting Issuer Shares**") will be issued and outstanding (on a non-diluted basis), (ii) existing Kalon shareholders will hold approximately 10% of the Resulting Issuer Shares, and (iii) the former shareholders of Pharmachal will hold the remaining 90% interest (on a partially diluted basis). Upon completion of the Transaction, it is anticipated that Kalon will have changed its name to "Pharmachal Health Group Ltd." (the "**Name Change**") or such other name as Pharmachal may determine.

The completion of the Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) the completion of satisfactory technical, legal and general due diligence by the parties; (ii) absence of a material adverse change in respect of either party or the Pharmachal assets included in the Transaction; (iii) the receipt of all necessary third party consents; (iv) the filing with the applicable securities regulatory authorities of a filing statement or information circular regarding the Transaction; (v) the receipt of approval from the TSX-V for the Transaction and the listing of the Resulting Issuer Shares upon completion of the Transaction; (vi) the completion of the Consolidation; and (vii) the completion of the Concurrent Financing. There can be no assurance that the Transaction will be completed on the terms proposed above or at all.

The Transaction is not a Non-Arm's Length Qualifying Transaction (as defined in Policy 2.4), and therefore approval from the shareholders of Kalon is not expected to be required. No finders' fees are payable by Kalon in connection with the Transaction (other than in respect of the Concurrent Financing), and Kalon does not anticipate advancing any funds to Pharmachal prior to completion of the Transaction. Trading in Kalon's common shares has been halted at Kalon's request and the halt is expected to continue pending the TSX-V's review and acceptance of materials for the Transaction.

Immediately prior to or concurrently with Closing, Kalon will complete a private placement financing (the "**Concurrent Financing**") of subscription receipts for gross proceeds of at least $2,500,000. Each subscription receipt will entitle the holder thereof to be issued, upon satisfaction of certain escrow release conditions for no additional consideration and without any further action by its holder, one (1) post-Consolidation Kalon common share following Closing, at an offering price to be agreed to by Pharmachal and Kalon prior to Closing. The net proceeds of the Concurrent Financing will be held in trust by an escrow agent and released in connection with Closing.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6. Reliance on Section 7.1(2) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

There is no information of a material nature that has been omitted.

Item 8. Executive Officer

Peter Shaerf
Chairman and Director
Telephone: (212) 682-2480
Email: pshaerf@amausa.com

Item 9. Date of Report

December 27, 2023

Forward looking and other cautionary statements

This report contains forward-looking statements and forward-looking information (collectively, "forward looking statements") within the meaning of applicable Canadian and U.S. securities legislation. All statements, other than statements of historical fact, included herein including, without limitation, statements about the completion of the Transaction, the completion of the Concurrent Financing, the completion of the Consolidation, and the anticipated business plans and timing of future activities of the parties, are forward looking statements. Although each of Kalon and Pharmachal believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: "believes", "will", "expects", "anticipates", "intends", "estimates", "plans", "may", "should", "potential", "scheduled", or variations of such words and phrases and similar expressions, which, by their nature, refer to future events or results that may, could, would, might or will occur or be taken or achieved. In making the forward-looking statements in this report, the parties have applied several material assumptions, including without limitation, that there will be investor interest in future financings, the receipt of any necessary permits, licenses and regulatory approvals in connection with the future development of Pharmachal's business in a timely manner, the availability of financing on suitable terms for the development of Pharmachal's assets, results of operations, performance, industry trends and future growth opportunities.

Kalon and Pharmachal caution investors that any forward-looking statements by the parties are not guarantees of future results or performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including, the inability of Pharmachal to obtain the necessary financing required to conduct its business and affairs, as currently contemplated, the ability of Pharmachal to execute their proposed business plans, changes in general economic conditions, changes in the financial markets, lack of investor interest in future financings, accidents, labour disputes and other risks of Pharmachal's industry, delays in obtaining governmental approvals, permits or financing, risks relating to epidemics or pandemics such as COVID–19, including the impact of COVID–19 on Pharmachal's business, financial condition and results of operations, changes in laws, regulations and policies affecting Pharmachal's operations, the inability of Kalon or Pharmachal to obtain any necessary permits, consents, approvals or authorizations, including of the TSX-V, the timing and possible outcome of any pending litigation, and other risks and uncertainties disclosed in Kalon's latest Management's Discussion and Analysis and filed with certain securities commissions in Canada. All of Kalon's Canadian public disclosure filings may be accessed via www.sedarplus.ca and readers are urged to review these materials.

Readers are cautioned not to place undue reliance on forward-looking statements. The parties undertake no obligation to update any of the forward-looking statements in this report or incorporated by reference herein, except as otherwise required by law.