

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities to be offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities laws of any state of the United States. Accordingly, these securities may not be offered or sold within the United States except pursuant to transactions exempt from registration under the U.S. Securities Act and under applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or its territories or possessions. See “Plan of Distribution”.

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Executive Officer of Kalytera Therapeutics, Inc. at 41 Thunderbird Dr., Novato, California, 94949, United States of America, Telephone 415-218-3900, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

August 1, 2018



**KALYTERA THERAPEUTICS, INC.
MINIMUM: \$3,000,000 (27,272,728 UNITS)
MAXIMUM: \$10,000,000 (90,909,091 UNITS)**

PRICE: \$0.11 PER UNIT

Kalytera Therapeutics, Inc. (the “**Corporation**” or “**Kalytera**” or “**we**” or “**our**”) is hereby qualifying for distribution a minimum (the “**Minimum Offering**”) of 27,272,728 units of the Corporation (the “**Units**”) and a maximum (the “**Maximum Offering**”) of 90,909,091 Units, at a price of \$0.11 per Unit (the “**Offering Price**”). Each Unit consists of one common share (“**Common Share**”) of the Corporation (an “**Offered Share**”) and one half of one Common Share purchase warrant of the Corporation (a “**Warrant**”). Each whole Warrant entitles the holder thereof to purchase one Common Share (a “**Warrant Share**”) at an exercise price of \$0.155 per Warrant Share, subject to adjustment, at any time until 5:00 p.m. (Toronto time) on the date that is 36 months after the Closing Date (as defined herein) of the Offering (as defined herein). The Units will immediately separate into Offered Shares and Warrants upon issuance. The distribution of the Units and the Broker Warrants (as defined herein) qualified by this short form prospectus is referred to herein as the “**Offering**”. See “*Description of Offered Securities*”.

The outstanding Common Shares are listed and posted for trading on the TSX Venture Exchange (the “**TSXV**”) under the symbol “**KALY**”. On July 31, 2018, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.11. The TSXV has conditionally approved the listing of the Offered Shares, the Warrant Shares, the Broker Warrant Shares (as defined herein), and the Warrants distributed under this short form prospectus. Listing will be subject to the Corporation fulfilling all of the applicable listing requirements of the TSXV.

The Offering Price was determined by negotiation between the Corporation and Echelon Wealth Partners, Inc. (the “**Agent**”). Pursuant to the terms of an agency agreement (the “**Agency Agreement**”) entered into between the Corporation and the Agent, the Units will be issued and sold in each of the provinces of British Columbia, Alberta and Ontario by the Agent. The Units may also be offered for sale in the United States, by or through one or more United States registered broker-dealers appointed by the Agent as sub-agents, under certain exemptions from the registration requirements of the U.S. Securities Act and the applicable state laws. See “*Plan of Distribution*”.

An investment in the securities offered hereunder is speculative and involves a high degree of risk. The risk factors identified in this short form prospectus and the documents incorporated by reference herein should be carefully reviewed and evaluated by prospective investors before purchasing the securities being offered hereunder. See “Risk Factors” in this short form prospectus and the documents incorporated by reference herein.

	<u>Price to the Public</u>	<u>Agent’s Commission⁽¹⁾⁽²⁾</u>	<u>Net Proceeds to the Corporation⁽³⁾</u>
Per Unit	\$0.11	\$.00825	\$0.10175
Minimum Offering	\$3,000,000 (US\$2,296,739) ⁽⁴⁾	\$225,000 (US\$172,255) ⁽⁴⁾	\$2,775,000 (US\$2,124,483) ⁽⁴⁾
Maximum Offering	\$10,000,000 (US\$7,655,795) ⁽⁴⁾	\$750,000 (US\$574,185) ⁽⁴⁾	\$9,250,000 (US\$7,081,611) ⁽⁴⁾

Notes:

- ⁽¹⁾ The Corporation has agreed to pay the Agent, on the Closing Date and upon any exercise of the Over-Allotment Option, a commission (the “**Agent’s Commission**”) equal to 7.5% of the aggregate gross proceeds of the Offering (or \$0.00825 per Unit) sold by the Agent. In addition to the Agent’s Commission, the Corporation will issue to the Agent, on the Closing Date and upon any exercise of the Over-Allotment Option, compensation warrants (“**Broker Warrants**”) to purchase such number of Common Shares (the “**Broker Warrant Shares**”) as is equal to 5% of the aggregate number of Units issued pursuant to the Offering on the Closing Date or pursuant to the exercise of the Over-Allotment Option. Each Broker Warrant shall entitle the Agent to acquire one Broker Warrant Share at the Offering Price, subject to customary adjustment, for a period of 24 months following the Closing Date. See “*Plan of Distribution*”. This short form prospectus also qualifies the distribution of the Broker Warrants.
- ⁽²⁾ The Corporation has granted to the Agent an over-allotment option (the “**Over-Allotment Option**”), exercisable, in whole or in part, at the sole discretion of the Agent, at any time prior to 5:00 p.m. (Toronto time) on the date that is the 30th day after the Closing Date, to purchase from the Corporation up to an additional 15% of the aggregate number of Units issued pursuant to the Offering (the “**Over-Allotment Units**”) at the Offering Price to cover the Agent’s over-allocation position, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Agent to acquire Over-Allotment Units at the Offering Price. The Over-Allotment Units (and the Common Shares and Warrants constituting them) are collectively referred to herein as the “Over-Allotment Securities”. If the Over-Allotment Option is exercised in full the total “Price to the Public”, “Agent’s Commission” and “Net Proceeds to the Corporation” will be \$3,450,000 (US\$2,641,249), \$258,750 (US\$198,094) and \$3,191,250 (US\$2,443,156) in the case of the Minimum Offering and \$11,500,000 (US\$8,804,165) \$862,500 (US\$660,312) and \$10,637,500 (US\$8,143,852) in the case of the Maximum Offering. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Securities issuable upon exercise of the Over-Allotment Option. A purchaser who acquires securities forming part of the Agent’s over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Where applicable, references to “Offering”, “Units”, “Offered Shares”, “Warrants” and “Warrant Shares” include the Over-Allotment Securities issuable upon exercise of the Over-Allotment Option. See “*Plan of Distribution*”.
- ⁽³⁾ After deducting the Agent’s Commission, but before deducting expenses of the Offering (including listing fees) estimated to be approximately \$340,368 (US\$260,579) in the event of the Minimum Offering, and \$359,986 (US\$275,598) in the event of the Maximum Offering, which will be paid from the gross proceeds of the Offering.
- ⁽⁴⁾ The U.S. dollar equivalent amounts set forth above are calculated based on the July 27, 2018 daily exchange rate of US\$1.00 = \$1.3062 as reported by the Bank of Canada.

The following table sets out the number of Broker Warrants that may be issued by the Corporation to the Agent and the maximum number of Units that may be sold by the Corporation to the Agent pursuant to the Over-Allotment Option:

Agent's Position	Minimum Offering	Maximum Offering	Exercise Period	Exercise Price
Broker Warrants	1,568,182 Broker Warrants ⁽¹⁾	5,227,273 Broker Warrants ⁽¹⁾	24 months following the Closing Date	\$0.11 per Broker Warrant
Over-Allotment Option	4,090,909 Units	13,636,364 Units	At any time and from time to time up to 30 days following the Closing Date	\$0.11 per Unit

Notes:

⁽¹⁾ Assuming the full exercise of the Over-Allotment Option.

Subscriptions for Units will be received by the Agent subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice.

The completion of the Offering is expected to occur on or about August 8, 2018, or such other date as the Corporation and the Agent may agree (the “**Closing Date**”).

If subscriptions for the Minimum Offering have not been received within 10 days following the date of issuance of a receipt for this final prospectus, the Offering will not continue and the subscription proceeds will be returned to subscribers, without interest or deduction. In any event, the total period of the distribution will not end more than 60 days from the date of issuance of a receipt for this final prospectus.

There can be no assurance that any or all of the Units being offered will be sold. Please see “*Plan of Distribution*”.

Global certificates or an instant deposit through the non-certificated inventory system representing the Offered Shares and Warrants comprising the Units will be issued and deposited with CDS Clearing and Depository Services Inc. (“**CDS**”). A subscriber who purchases Units will receive only a customer confirmation from the registered dealer who is a CDS participant from or through whom Units are purchased. Physical certificates evidencing Offered Shares and Warrants will not be issued except in limited circumstances and unless a request for a certificate is made to the Corporation. See “*Plan of Distribution*”.

The Offering is not underwritten or guaranteed by any person. The Agent conditionally offers the Units pursuant to the securities legislation of the provinces of British Columbia, Alberta and Ontario, on a commercially reasonable best efforts basis and, subject to prior sale, if, as and when issued by the Corporation and delivered and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*” and subject to approval of certain legal matters on behalf of the Corporation by Torys LLP and on behalf of the Agent by Dentons Canada LLP. The United States registered broker-dealers that may be appointed by the Agent as sub-agents will not be registered as dealers in any Canadian jurisdiction and, accordingly, they will not, directly or indirectly, solicit offers to purchase or sell the Offered Shares in Canada.

The Agent and members of their selling group (if any) may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Common Shares on the TSXV at levels above those which might otherwise prevail in the open market, in compliance with applicable securities laws. Such stabilizing transactions, if commenced, may be discontinued at any time. See “*Plan of Distribution*”.

The Offered Shares, the Warrants and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or any securities or “blue sky” laws of any of the states of the United States, and may not be offered or

sold, directly or indirectly, within the United States except in accordance with an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws.

You should rely only on the information contained or incorporated by reference in this short form prospectus and the documents incorporated by reference herein. The Corporation and the Agent have not authorized anyone to provide purchasers with information different from that contained or incorporated by reference in this short form prospectus and the documents incorporated by reference herein. Information contained on the website of the Corporation shall not be deemed to be a part of this short form prospectus or incorporated herein by reference and should not be relied upon by prospective investors for the purpose of determining whether to invest under the Offering. The Corporation is offering to sell, and seeking offers to buy, the Units only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. The Corporation does not undertake to update information contained or incorporated by reference in this short form prospectus, except as required by applicable securities laws.

Each of Ronald Erickson, Robert Farrell and Jeffrey Paley is a director of the Corporation, and Victoria Rudman is an officer of the Corporation, that in each case resides outside of Canada. Kost Forer Gabbay & Kasierer (“**Kost Forer**”), a member of Ernst & Young Global, the auditors of the Corporation, is a firm that is organized under the laws of a foreign jurisdiction. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or entity that resides outside of Canada or that is organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process. See “*Agent for Service of Process*”.

Prospective investors should be aware that the acquisition or disposition of the securities described herein may have tax consequences in Canada. This short form prospectus may not describe these tax consequences fully. You should consult and rely on your own tax advisor with respect to your own particular circumstances. See “*Certain Canadian Federal Income Tax Considerations*”.

The Corporation’s head office is located at 41 Thunderbird Drive, Novato, California 94949 and our registered and records office is located at 1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

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IMPORTANT NOTICE ABOUT THE INFORMATION IN THIS SHORT FORM PROSPECTUS

General Advisory

You should rely only on the information contained in or incorporated by reference in this short form prospectus. We have not and the Agent has not authorized anyone to provide you with different or additional information. We are not and the Agent is not making an offer of the Units in any jurisdiction where the offer is not permitted by law. If anyone provides you with any different or inconsistent information, you should not rely on it. You should not assume that the information contained in or incorporated by reference in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus with respect to information contained herein and, with respect to information incorporated by reference, the date of such document so incorporated. The Corporation's business, financial condition, results of operations and prospects may have changed since those dates.

Market and Industry Data

Certain independent third party and industry data contained in this short form prospectus is based upon information from government or other independent industry or scientific publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but none of the Corporation or the Agent, or any of their representatives, has conducted its own independent verification of such information. While the Corporation and the Agent believe this information to be reliable, third party information is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process, and other limitations and uncertainties inherent in any statistical or scientific survey. In addition, this third party information has been prepared as of a specific date and therefore does not contemplate changes in facts and circumstances following such date. None of the Corporation or the Agent or any of their representatives has independently verified any of the research, findings or data from independent third party sources referred to in this short form prospectus or ascertained the underlying assumptions relied upon by such sources. Unless specifically stated, none of the third party information cited in this short form prospectus is incorporated by reference herein. All third party information source references are provided for the reader's convenience only and do not form a part of this short form prospectus.

Presentation of Financial Information

The Corporation's Annual Financial Statements (as defined herein) and Interim Financial Statements (as defined herein), which are incorporated by reference herein, have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, which may differ materially in certain respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies. Prospective purchasers should conduct their own investigation and analysis of the documents, data and transactions described herein. The Corporation prepares its financial statements in United States dollars.

Currency and Exchange Rate Information

In this short form prospectus, references to "\$" are references to Canadian dollars and references to "US\$" are references to United States dollars. The following table sets forth, for each of the periods indicated, the high and low rates of exchange for one United States dollar expressed in Canadian dollars, the average rate of exchange during each such period, based on the noon rate published by the Bank of Canada until the Bank of Canada ceased publishing the noon rate on April 30, 2017 and thereafter based on the daily rate published by the Bank of Canada.

	<u>High</u>	<u>Low</u>	<u>Average</u>
Fiscal years ended			
December 31, 2017	\$1.3743	\$1.2128	\$1.2986
December 31, 2016	\$1.4589	\$1.2544	\$1.3248

On July 27, 2018, the daily exchange rate was US\$1.00 = \$1.3062 as reported by the Bank of Canada.

FORWARD-LOOKING STATEMENTS

Certain statements and information included or incorporated by reference in this short form prospectus contain forward-looking statements or forward-looking information under applicable Canadian securities legislation that may not be based on historical fact, including, without limitation, statements containing the words “believe”, “may”, “would”, “could”, “should”, “likely”, “plan”, “will”, “estimate”, “continue”, “anticipate”, “intend”, “expect”, “forecast”, “predict”, “project”, “potential”, “continue”, “ongoing” or the negative of these terms or other comparable terminology suggesting future outcomes or events, although not all forward-looking statements contain these words and similar expressions.

Forward-looking statements included in or incorporated by reference in this short form prospectus are presented for the purpose of providing disclosure of the current expectations of the Corporation’s future events or results, having regard to current plans, objectives and proposals, and such information may not be appropriate for other purposes. Forward-looking statements are necessarily based on estimates and assumptions made by us in light of the Corporation’s experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this short form prospectus include, but are not limited to, statements relating to:

- the timing and closing of the Offering;
- the satisfaction of the conditions of the closing of the Offering, including the receipt, in a timely manner, of regulatory and other required approvals;
- the use of proceeds of the Offering;
- the initiation, timing, cost, progress and success of Kalytera’s research and development programs, pre-clinical studies and clinical trials;
- Kalytera’s ability to advance product candidates into, and successfully complete, clinical trials;
- Kalytera’s ability to recruit sufficient numbers of patients for Kalytera’s future clinical trials;
- Kalytera’s ability to achieve profitability;
- the implementation of Kalytera’s business model and strategic plans;
- Kalytera’s ability to develop and commercialize product candidates;
- Kalytera’s anticipated regulatory submissions and commercial activities;
- Kalytera’s commercialization, marketing and manufacturing capabilities and strategy;
- Kalytera’s expectations regarding Canadian and foreign regulatory requirements;
- whether the Corporation will receive, and the timing and costs of obtaining, regulatory approvals in the target jurisdictions;
- the therapeutic benefits, effectiveness and safety of Kalytera’s product candidates;
- the rate and degree of market acceptance and clinical utility of Kalytera’s future products, if any;
- the timing of, and Kalytera’s ability and its collaborators’ ability, if any, to obtain and maintain regulatory approvals for its product candidates;

- Kalytera's expectations regarding market risk, including interest rate changes and foreign currency fluctuations;
- Kalytera's future financial performance and projected expenditures;
- developments relating to Kalytera's competitors and its industry, including the success of competing therapies that are or may become available; and
- estimates of Kalytera's expenses, future revenue, capital requirements and its needs for additional financing.

Such statements reflect Kalytera's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Kalytera, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Kalytera's actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward looking statements included in this short form prospectus, the Corporation has made various material assumptions, including, but not limited to: (i) enrollment in, completion of and obtaining positive results from clinical trials; (ii) obtaining and maintaining regulatory approvals; (iii) general business and economic conditions; (iv) the Corporation's ability to develop and commercialize, or otherwise monetize, its product candidates and in-license and develop new products; (v) the safety and efficacy of its product candidates and any new products; (vi) the assumption that Kalytera's current good relationships with its collaborators, licensors and other third parties will be maintained; (vii) the availability of financing on reasonable terms; (viii) the Corporation's ability to attract and retain skilled staff; (ix) the products and technology offered by the Corporation's competitors; and (x) the Corporation's ability to protect patents and other proprietary rights including trade secrets.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined under the heading "*Risk Factors*" in this short form prospectus and under the heading "*Risk Factors*" in the AIF (as defined herein). Should one or more of these risks or uncertainties, or a risk that is not currently known to us, materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this short form prospectus, and Kalytera does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Executive Officer of the Corporation at 41 Thunderbird Drive, Novato, California, 94949, United States of America. These documents are also available through the Internet under the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") which can be accessed at www.sedar.com. The following documents, filed with the various securities commissions or similar authorities in each of the provinces of British Columbia, Alberta and Ontario, are specifically incorporated by reference into and form an integral part of this short form prospectus:

1. annual information form dated April 30, 2018 for the year ended December 31, 2017 (the "**AIF**");
2. audited consolidated financial statements as of December 31, 2017 and 2016, together with the notes thereto and the auditors' report thereon (the "**Annual Financial Statements**");
3. management's discussion and analysis for the year ended December 31, 2017;
4. unaudited interim consolidated financial statements for the three months ended March 31, 2018, together with the notes thereto (the "**Interim Financial Statements**");

5. management's discussion and analysis for the three months ended March 31, 2018 (the "**Interim MD&A**"); and
6. management information circular dated June 26, 2018 relating to the annual and special meeting of shareholders to be held on July 27, 2018.

Material change reports (other than confidential reports), business acquisition reports, management information circulars, interim financial statements, annual financial statements, annual information forms and all other documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, filed by the Corporation with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and before completion or withdrawal of the Offering, will be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this short form prospectus shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any subsequently filed document which also is or is deemed to be incorporated by reference in this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document or statement that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

Any "template version" of "marketing materials" (as defined in National Instrument 41-101 – General Prospectus Requirements) is incorporated by reference in this final short form prospectus. However, such template versions of marketing materials do not form part of this final short form prospectus to the extent that the contents of the template version of marketing materials have been modified or superseded by a statement contained in this final short form prospectus. Any template version of marketing materials filed with the securities commission or similar regulatory authority in each of the provinces of Canada in connection with this Offering after the date of this final short form prospectus and before the termination of the distribution of Units under the Offering (including any amendments to, or an amended version of, the marketing materials) are deemed to be incorporated into this final short form prospectus.

KALYTERA THERAPEUTICS, INC.

Corporate Structure

Kalytera Therapeutics (Delaware), Inc. is a corporation formed under the laws of the state of Delaware on July 18, 2014 ("**Kalytera Delaware**"). On December 30, 2016, Kalytera Delaware completed a change of business and reverse takeover (the "**Merger**") of Santa Maria Petroleum Inc. ("**Santa Maria**"), a corporation incorporated under the *Business Corporation Act* (Ontario). Pursuant to the Merger, the privately held Kalytera Delaware (which carried on the current business of Kalytera prior to the Merger) became a wholly-owned subsidiary of Santa Maria. In connection with the Merger, Santa Maria changed its name from Santa Maria Petroleum Inc. to Kalytera Therapeutics, Inc., consolidated its share capital on the basis of approximately 2.3 (old) common shares for one (new) Common Share, and continued under the laws of British Columbia as the Corporation and as a publicly listed company on the TSXV.

Kalytera Therapeutics Israel, Ltd. is a wholly owned subsidiary of Kalytera Delaware, which was incorporated on September 4, 2016 and is situated in and organized under the laws of Israel ("**Kalytera Israel**"). Kalytera Israel was incorporated to oversee the administration of research and development activities of Kalytera to be conducted in Israel. On February 15, 2017, Kalytera Israel acquired all of the issued and outstanding shares of Talent Biotech Ltd., an entity organized under the laws of Israel ("**Talent**") and Talent became an indirect wholly-owned subsidiary of the

Corporation. Talent is a wholly-owned subsidiary of Kalytera Israel and is an Israeli-based company evaluating the use of cannabidiol (“**CBD**”) to prevent and treat Graft versus Host Disease (“**GVHD**”).

Kalytera Australia Pty Ltd. is a wholly owned subsidiary of Kalytera, which was incorporated on January 12, 2018 under the laws of Australia (“**Kalytera Australia**”). Kalytera Australia was incorporated to oversee the administration of research and development activities of Kalytera to be conducted in Australia.

The Corporation’s outstanding Common Shares trade on the TSXV under the symbol “**KALY**”.

Summary Description of Business

Kalytera is a clinical-stage specialty pharmaceutical company developing a portfolio of cannabidiol (“**CBD**”) pharmaceuticals. Kalytera is developing the following product candidates: (1) synthetic CBD therapeutics; (2) proprietary CBD analogues; and (3) variations of CBD and CBD conjugates, with an initial focus on CBD therapeutics. Kalytera currently has no product candidate that has received regulatory approval.

Cannabis has over 80 chemical constituents, known as “cannabinoids”. Two of the most active and studied constituents of cannabis are tetrahydrocannabinol (“**THC**”) and CBD. THC is the major psychoactive component of cannabis. CBD does not have psychoactive activity.

With its acquisition of Talent in February 2017, Kalytera transitioned from a pre-clinical stage company to a clinical-stage pharmaceutical company working towards pioneering the development of a next generation of CBD therapeutics. Through its experienced leadership, drug development expertise, and intellectual property rights, Kalytera is seeking to establish a leading position in the development of CBD-based medicines for a range of important unmet medical needs, with an initial focus on GVHD.

GVHD is a multisystem disorder that occurs when the transplanted cells from a donor (the graft) recognize the transplant recipient (the host) as foreign. This interaction initiates an immune reaction that causes disease in the transplant recipient. This reaction can occur within days after the transplant (acute GVHD) or months to years after the transplant (chronic GVHD).

GVHD commonly occurs following hematopoietic stem cell transplantation, a procedure whereby the stem cells of the bone marrow or peripheral blood of a healthy donor are transplanted into a new host after chemotherapy and radiation. This is a lifesaving procedure for many diseases of the blood and bone marrow including leukemia, Hodgkin and Non-Hodgkin lymphoma, multiple myeloma, sickle cell anemia, and thalassemia. Whereas these procedures can be lifesaving, they pose many dangerous effects, including infection and GVHD.

Kalytera’s lead clinical-stage program is focused on developing an oral formulation of synthetic CBD for both treatment and prevention of acute GVHD. Kalytera’s lead program in GVHD has recently completed three Phase 2a clinical studies evaluating the safety and efficacy of (1) short term use of CBD in the prevention of acute GVHD, (2) prolonged use of CBD in the prevention of acute GVHD, and (3) prolonged use of CBD in the treatment of steroid-refractory grades 3-4 acute GVHD. Kalytera’s GVHD program was acquired pursuant to Kalytera’s acquisition of Talent, a formerly privately held, Israeli-based developer of CBD therapeutics, as announced on February 16, 2017.

On November 15, 2017, the Corporation announced that the United States Patent and Trademark Office (“**USPTO**”) had issued a Notice of Allowance for U.S. Patent Application 15/143,694 covering the use of CBD in the treatment of GVHD, which patent has now issued as U.S. Patent No. 9,889,100 B2. On November 27, 2017, the Corporation announced that it had received a Notice of Allowance for U.S. Patent Application 14/787,515 covering the use of CBD in prevention of GVHD, which patent has now issued as U.S. Patent No. 9,956,182. Kalytera has licensed these method of use patents from Mor Research Applications Ltd. (“**Mor**”) of Israel. The allowance and issuance of these patents by the USPTO for this proprietary technology represents an important step forward for the Corporation in its work focused on the treatment of this serious and life-threatening disease. Related patents are pending in Europe and Israel.

Over the next 12 months, Kalytera intends to advance the development of its CBD therapeutic for the prevention of acute GVHD by conducting a late-stage clinical study in this indication. On December 7, 2017, the Corporation announced the initiation of a Phase 2, open label, multicenter clinical study to evaluate the safety, pharmacokinetics,

pharmacodynamics, efficacy and dose ranging of CBD for the prevention of GVHD following bone marrow transplantation procedures (the “**GVHD Prevention Study**”). The process of patient enrollment has begun, and the study is expected to enroll a total of 36 patients. The study is being conducted at four sites in Israel, and is being expanded to include two additional sites in Australia. Results of the study are expected by Q1 2019.

Kalytera has also announced the initiation of a program to develop a novel, proprietary CBD analogue for the treatment of acute and chronic pain. This compound consists of a CBD analogue conjugated with naproxen, a generic, non-steroidal, anti-inflammatory drug that is already approved for treatment of pain. Based on the potentially complementary methods of action of the cannabinoid and naproxen, there is reason to believe these molecules may have a synergistic effect in treatment of pain, as well as a superior safety profile compared with opioid analgesics.

Kalytera is also developing a pre-clinical stage pipeline of CBD prodrugs for the treatment of a variety of disorders. CBD prodrugs are designed to specifically modify physiochemical properties and functionality of CBD. These modifications are intended to enhance regional therapy and enable bifunctional therapy. These programs have not advanced beyond the preclinical research stage, and are currently on hold, though Kalytera may pursue further development in the future, when the Corporation expects that it will have greater resources available for such work.

Recent Developments

On March 20, 2018, the Corporation announced that it had begun development of a novel cannabinoid-based compound for the treatment of acute and chronic pain. Patents for this compound have been filed in the U.S. and other jurisdictions, and Kalytera has obtained an exclusive, worldwide license for this compound from Beetlebung Pharma, Ltd. (“**BPL**”), an Israeli-based pharmaceutical discovery company focused on cannabinoid-based therapeutics for the treatment of human disease.

On April 13, 2018, the Corporation announced the termination of its pre-clinical development programs in the treatment of bone disease. The Corporation has determined that additional investments of time and resources in these programs are not appropriate given the other opportunities in its product development pipeline. The terminated programs were evaluating three synthetic endocannabinoid compounds, KAL436, KAL439 and KAL671, in bone fracture healing, and osteogenesis imperfecta and osteoporosis. In connection with the termination of these programs, Kalytera has terminated its license agreement with Yissum Research Development Company of the Hebrew University of Jerusalem, Ltd., under which Kalytera had licensed rights to KAL436, KAL439 and KAL671.

On April 19, 2018, the Corporation announced that the USPTO had issued U.S. Patent No. 9,889,100 B2 with claims covering the use of CBD for the treatment of severe and refractory GVHD. On May 2, the Corporation announced that the USPTO had issued U.S. Patent No. 9,956,182 with claims covering the use of CBD in prevention of GVHD. Kalytera has exclusive worldwide rights under each of these patents through Talent’s exclusive license agreement with Mor. Pursuant to the terms of the purchase agreement between Kalytera and the former shareholders of Talent, these patent issuances have resulted in the issuance of 2,883,535 Common Shares to the former Talent shareholders (the “**Milestone Shares**”) as contingent consideration for the acquisition of Talent, and have triggered cash payments owing to the former Talent shareholders in the amount of US\$4 million (in addition to the US\$500,000 payment previously made to Talent shareholders in connection with the initiation of the Corporation’s Phase 2 study).

On May 15, 2018, the Corporation announced the formation of a Strategic & Scientific Advisory Board to assist with the development of the novel cannabinoid compound described above with three key appointments: Professor Joseph Lynch, Ph.D. of the Queensland Brain Institute, Dr. Li Zhang of the Laboratory for Integrative Neuroscience, NIAAA/NIH and Professor Hanns Ulrich Zeilhofer of the Institute of Pharmacology and Toxicology of the University of Zurich. The Strategic and Scientific Advisory Board will work closely with Kalytera’s management to advance the Corporation’s novel cannabinoid-based technology for the treatment of acute and chronic pain, identify new applications for Kalytera’s cannabinoid technology, and provide insight regarding new cannabinoid-based technologies to complement the Corporation’s pipeline.

On June 15, 2018, the Corporation announced that it had entered into an agreement with the Salzman Group (the “**June 2018 Payments Agreement**”) under which the Corporation, at its option, may pay invoices for certain services provided to the Corporation by the Salzman Group and its affiliates through the issuance of Common Shares to the Salzman Group. This agreement is in addition to the services agreement entered into with the Salzman Group in

December 2017 (the “**December 2017 Payments Agreement**”), which also allows the Corporation to pay invoices for certain services in Common Shares. Under various agreements and work orders, the Salzman Group is providing clinical study management services and other services to the Corporation. These services include, among other things, general and administrative support services, study set-up work for planned studies in connection with use of CBD in treatment of GVHD, and research and development work in connection with Kalytera’s exclusive license of cannabidiol-naproxen conjugates for treatment of pain. Under the Agreement, Kalytera will have the option to make payment of invoices for these services in either cash or Common Shares, in accordance with applicable securities laws and TSXV policies. The Agreement has a six month term, and allows Kalytera to pay for services in shares in an amount of up to approximately US\$3,400,000 during that time period if it elects to do so, in addition to 9,019,346 Common Shares issued in repayment of US\$1,026,182 of debts previously owing to the Salzman Group for services already provided prior to the finalization of the agreement. If Kalytera chooses to pay any such invoices through the issuance of Common Shares, the number of Common Shares that will be issued will be based on a ten percent (10%) discount from the closing price of Kalytera’s Common Shares on the TSXV on the trading day prior to the date that Kalytera give notice to the Salzman Group that it intends to pay the invoice in Common Shares. The Salzman Group has established an irrevocable selling agreement with its broker to sell such shares on each of the five trading days following deposit of such shares in its brokerage account.

On June 21, 2018, the Corporation announced that in connection with its ongoing GVHD Prevention Study, it had enrolled patients at clinical sites in Israel, and that the Corporation was in the process of expanding the study to two additional sites in Australia. The Phase 2b clinical study is a 36-patient randomized, multicenter study, and its principal investigator is Daniel Couriel, M.D., M.S., Director of the Bone Marrow Transplant Program at the University of Utah Health Sciences, School of Medicine. The Corporation also provided details concerning its plans for its Phase 2-3 pivotal registration study required for FDA approval, intended to be initiated in approximately late 2018 (the “**GVHD Treatment Study**”). The anticipated GVHD Treatment Study is expected to enroll approximately 135 patients in order to assess the safety and efficacy of multiple doses of CBD for the treatment of grade 3-4 acute GVHD. The GVHD Treatment Study is intended to be a multicenter, multinational, placebo controlled, randomized clinical trial, and is proposed to be conducted at several sites which may include sites in Australia, Israel, the U.K. and the U.S. Edmund Waller, M.D., Ph.D., Professor, Hematology and Medical Oncology, Medicine, and Pathology at Emory University School of Medicine, and Director, Division of Stem Cell Transplantation and Immunotherapy at Winship Cancer Institute of Emory University, is expected to be the principal investigator of the study.

On June 29, 2018 the Corporation announced the appointment of Victoria Rudman as Interim Chief Financial Officer, Treasury and Secretary. Ms. Rudman has previously served as the Chief Financial Officer of Kalytera Delaware from March 2015 through June 2016. Ms. Rudman will assist the Corporation in the Chief Financial Officer role on an interim basis as Kalytera works towards a hiring a candidate to fill the Chief Financial Officer position for the longer term. Ms. Rudman has previously held various positions at Morgan Stanley, Bear Stearns and a number of small cap public companies and startup ventures.

On July 5, 2018 the Corporation announced the setting of a pre-IND meeting date of July 31, 2018 with the Center for Drug Evaluation and Research of the U.S. Food and Drug Administration for the purpose of discussing numerous aspects of Kalytera’s planned registration study evaluating CBD for treatment of acute GVHD. The Corporation believes this meeting will be an important next step in the advancement of its program in the treatment of acute GVHD, and will allow the Corporation to be in a position to address any open issues or requests before submission of the Corporation’s IND application in respect of the planned registration study.

On July 19, 2018, the Corporation announced that it had entered into an agreement with BPL to secure an exclusive option to license worldwide rights to medical cannabis products in development by BPL for the treatment of dermatologic diseases and for women’s health. To secure the exclusive option from BPL, the Corporation has paid an initial fee of US\$25,000. If the Corporation exercises its option to enter into an exclusive license in either of these fields, then for each license Kalytera will pay an additional US\$25,000 plus historical patent costs, royalties equal to a single-digit percentage of net sales, sublicensing fees in the event that Kalytera sublicenses its rights under the license and future contingent milestone payments. Kalytera would also enter into a sponsored research contract with BPL under which BPL would design, manage and conduct a clinical study of patients (likely in Canada and/or Israel) designed to provide data to be used to market products covered by the license.

On July 20, 2018, the Corporation announced that it had reached an agreement with the former shareholders of Talent modifying the Corporation’s obligation to make the US\$4 million contingent payments currently owing to such shareholders. See “*Use of Proceeds*”.

CAPITALIZATION

The following table sets forth: (i) the unaudited consolidated capitalization of the Corporation as at March 31, 2018; and (ii) the unaudited consolidated capitalization of the Corporation as at March 31, 2018 after giving effect to the Offering, as well as the issuance of the Milestone Shares to former shareholders of Talent, the issuance of Common Shares to Salzman Group under the December 2017 Payments Agreement and the June 2018 Payments Agreement, the conversion of Convertible Debentures (as defined herein), exercise of warrants and changes in outstanding Options up to July 27, 2018 (collectively, the “**Subsequent Transactions**”), and assuming the full exercise of the Over-Allotment Option. This table should be read in conjunction with the Interim Financial Statements and the Interim MD&A, both of which are incorporated by reference into this short form prospectus.

Designation	As at March 31, 2018⁽⁸⁾	As at March 31, 2018, after giving effect to the Subsequent Transactions and Minimum Offering prior to exercise of the Over-Allotment Option⁽¹⁾⁽⁹⁾	As at March 31, 2018, after giving effect to the Subsequent Transactions and Maximum Offering and assuming the full exercise of the Over-Allotment Option⁽¹⁾⁽⁹⁾
Common Shares	\$39,854,734 (US\$30,909,520) (133,210,274 Common Shares)	\$45,667,059 (US\$35,359,319) (218,941,320 Common Shares)	\$54,167,059 (US\$41,866,743) (296,214,047 Common Shares)
Prior Broker Warrants	3,651,667 warrants ⁽²⁾	3,651,667 warrants ⁽²⁾	3,651,667 warrants ⁽²⁾
December 2017 Warrants	\$6,165,548 ⁽³⁾ (US\$4,781,719) (25,652,962 warrants)	\$5,130,974 ⁽³⁾ (US\$3,989,670) (21,514,666 warrants)	\$5,130,974 ⁽³⁾ (US\$3,989,670) (21,514,666 warrants)
Options ⁽⁴⁾	\$2,260,891 (US\$1,753,444) (13,649,359 Options)	\$2,307,691 (US\$1,766,721) (13,969,359 Options)	\$2,307,691 (US\$1,766,721) (13,969,359 Options)
Convertible Debentures	\$5,600,000 ⁽⁵⁾ (US\$4,343,105)	\$459,000 ⁽⁵⁾ (US\$407,261)	\$459,000 ⁽⁵⁾ (US\$407,261)
Warrants	Nil	\$1,090,909 ⁽⁶⁾ (US\$835,178) (13,636,364 Warrants)	\$4,181,818 ⁽⁶⁾ (US\$3,201,514) (52,272,727 Warrants)
Broker Warrants	Nil	\$122,727 ⁽⁷⁾ (US\$93,957) (1,363,636 Broker Warrants)	\$470,455 ⁽⁷⁾ (US\$360,171) (5,227,273 Broker Warrants)

Notes:

- (1) Assuming Agent’s Commission of \$225,000 (US\$172,255) and the other expenses of the Offering estimated to be \$340,368 (US\$260,579) in the case of the Minimum Offering (without giving effect to any exercise of the Over-Allotment Option), and Agent’s Commission of \$862,500 (US\$660,312) and the other expenses of the Offering estimated to be \$359,986 (US\$275,598) in the case of the Maximum Offering assuming the full exercise of the Over-Allotment Option.
- (2) The “**Prior Broker Warrants**” consist of 1,318,334 outstanding broker warrants issued prior to or in connection with the Merger bearing an exercise price of \$0.40 per Common Share, in addition to the 2,333,333 outstanding broker warrants issued in connection with the Corporation’s February 2017 private placement transaction bearing an exercise price of C\$0.45 per

Common Share. The value of the Prior Broker Warrants is reflected in the issuance costs of the Common Shares issued in the Merger and in the Corporation's February 2017 private placement transaction.

- (3) Outstanding investor warrants and broker warrants issued in the Corporation's December 2017 private placement of convertible debentures (the "Convertible Debentures") have an exercise price of \$0.13 per Common Share (the "December 2017 Warrants"). The fair value of the December 2017 Warrants has been calculated using the Black-Scholes option pricing model using 76.34% volatility, an expected life of 1.7 years, 1.73% risk-free interest rate, no dividend yield, a share price of \$0.36 and an exercise price of \$0.13 per Common Share.
- (4) The options are granted pursuant to a stock option plan of the Corporation initially approved on December 12, 2016, as the amended and restated pursuant to the approval of shareholders on August 3, 2017 (the "**Option Plan**", and the options granted thereunder "**Options**"). Of the Options outstanding as of March 31, 2018, 2,619,896 were vested and exercisable at a weighted average exercise price of \$0.51 per Common Share. Of the Options outstanding as of July 27, 2018, 3,127,769 were vested and exercisable at a weighted average exercise price of \$0.50 per Common Share. The fair value of the Options have been calculated using the Black-Scholes option pricing model using 81.2%-83.4% volatility, an expected life of 5.13-6.47 years, 2.04%-2.15% risk-free interest rate, no dividend yield, a share price of \$0.36 and weighted average exercise price of \$0.27.
- (5) Represents the face value of the amount of outstanding indebtedness under the Convertible Debentures. The Convertible Debentures are convertible by the holder into Common Shares at a conversion price of \$0.13 per Common Share.
- (6) The fair value of the Warrants has been calculated using the Black-Scholes option pricing model using 77.96% volatility, an expected life of 3 years, 1.99% risk-free interest rate, no dividend yield, a share price of \$0.155 and an exercise price of \$0.155 per Common Share.
- (7) The fair value of the Broker Warrants has been calculated using the Black-Scholes option pricing model using 83.72% volatility, an expected life of 2 years, 1.91% risk-free interest rate, no dividend yield, a share price of \$0.155 and an exercise price of \$0.11 per Common Share.
- (8) The U.S. dollar equivalent amounts set forth in this column above are calculated based on the March 29, 2018 (the last business day prior to March 31, 2018) daily exchange rate of US\$1.00 = \$1.2894 as reported by the Bank of Canada.
- (9) The U.S. dollar equivalent amounts set forth in this column above are calculated based on the July 27, 2018 daily exchange rate of US\$1.00 = \$1.3062 as reported by the Bank of Canada.

PRICE RANGE OF LISTED SECURITIES

The Common Shares are listed for trading in Canada on the TSXV under the symbol "KALY". The following table shows the high and low trading prices and the aggregate volume of Common Shares traded on the TSXV for each of the last 12 months (as reported by the TSXV).

Month	High	Low	Volume
2017			
July	\$0.170	\$0.120	5,203,592
August	\$0.135	\$0.100	4,639,525
September	\$0.155	\$0.115	4,570,454
October	\$0.130	\$0.090	4,324,093
November	\$0.200	\$0.080	78,389,993
December	\$0.580	\$0.135	178,294,854
2018			
January	\$0.560	\$0.305	61,030,353
February	\$0.365	\$0.210	18,669,849
March	\$0.410	\$0.240	30,992,907
April	\$0.350	\$0.153	53,589,716
May	\$0.185	\$0.135	28,744,832
June	\$0.215	\$0.130	29,514,981
July	\$0.180	\$0.105	48,707,645

On July 31, 2018, the last trading day prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.11.

PRIOR SALES

The following tables summarize the Common Shares or securities convertible into, or exercisable to acquire, Common Shares that have been issued by the Corporation during the 12 months prior to the date of this short form prospectus.

Date of Issuance/Grant	Type of Security	Number of Securities Issued	Issue/Exercise Price
October 8, 2017	Incentive Stock Options ⁽¹⁾	5,473,442	\$0.12
October 8, 2017	Incentive Stock Options ⁽¹⁾	1,022,610	\$0.12
October 8, 2017	Incentive Stock Options ⁽¹⁾	681,740	\$0.12
October 8, 2017	Incentive Stock Options ⁽¹⁾	100,000	\$0.12
October 8, 2017	Incentive Stock Options ⁽¹⁾	439,879	\$0.12
December 20, 2017	Convertible Debentures ⁽²⁾	5,750,000	\$1,000 ⁽²⁾
December 20, 2017	December 2017 Warrants (investor warrants) ⁽³⁾	22,114,500	\$0.13 ⁽³⁾
December 20, 2017	December 2017 Warrants (broker warrants) ⁽³⁾	3,538,462	\$0.13 ⁽³⁾
December 22, 2017	Common Shares ⁽⁴⁾	1,137,965	\$0.234
January 31, 2018	Common Shares ⁽⁴⁾	396,015	\$0.351
January 30, 2018	Incentive Stock Options ⁽¹⁾	2,023,210	\$0.38
March 1, 2018	Common Shares ⁽⁴⁾	513,818	\$0.279
March 13, 2018	Incentive Stock Options ⁽¹⁾	1,400,000	\$0.34
March 13, 2018	Common Shares ⁽⁵⁾	328,614	\$0.289
March 27, 2018	Common Shares ⁽⁴⁾	444,943	\$0.3285
April 9, 2018	Incentive Stock Options ⁽¹⁾	120,000	\$0.265
April 25, 2018	Common Shares ⁽⁴⁾	772,346	\$0.1845
May 22, 2018	Incentive Stock Options ⁽¹⁾	200,000	\$0.155
May 22, 2018	Common Shares ⁽⁶⁾	2,883,535	\$0.59
June 4, 2018	Common Shares ⁽⁴⁾	1,120,547	\$0.1305
June 29, 2018	Common Shares ⁽⁴⁾	978,099	\$0.153
June 29, 2018	Common Shares ⁽⁷⁾	9,019,346	\$0.1485

Notes:

- (1) Issued to directors, officers and consultants pursuant to the Option Plan.
- (2) Convertible to Common Shares at a price of US\$0.13 per Common Share. As of July 27, 2018, \$5,291,000 principal amount of Convertible Debentures has been converted into Common Shares in transactions taking place between March 28, 2018 and July 4, 2018.
- (3) As of July 27, 2018, 4,138,296 of the December 2017 Warrants held by investors had been exercised for Common Shares in transactions taking place between April 25, 2018 and June 22, 2018.
- (4) Issued to Salzman Group pursuant to the December 2017 Services Agreement.
- (5) Issued to a service provider in settlement of debt owing for past services as announced on January 11, 2018.
- (6) The Milestone Shares issued to former shareholders of Talent.
- (7) Issued to Salzman Group pursuant to the June 2018 Payments Agreement.

DESCRIPTION OF OFFERED SECURITIES

The Offering consists of a minimum of 27,272,728 Units and a maximum of 90,909,091 Units (a minimum of 31,363,637 Units and a maximum of 104,545,455 Units if the Over-Allotment Option is exercised in full), each Unit consisting of one Offered Share and one half of one Warrant, each whole Warrant entitling the holder thereof to purchase one Warrant Share at an exercise price of \$0.155 per Warrant Share, subject to adjustment, at any time until 5:00 p.m. (Toronto time) on the date that is 36 months after the Closing Date. The Units will immediately separate into Offered Shares and Warrants upon issuance.

Offered Shares

Each Common Share entitles the holder thereof to one vote at any meeting of the Corporation's shareholders. The holders of Common Shares are entitled to receive if, as and when declared by Kalytera's board of directors (the "**Board**"), dividends in such amounts as shall be determined by the Board. The holders of Common Shares have the right to receive the Corporation's remaining property and assets in the event of a liquidation, dissolution or winding-up, whether voluntary or involuntary.

As at July 27, 2018, the Corporation had 191,668,592 Common Shares issued and outstanding. As at July 27, 2018 after giving effect to the Minimum Offering, the Corporation would have 218,941,320 Common Shares issued and outstanding. As at July 27, 2018 after giving effect to the Maximum Offering, the Corporation would have 282,577,683 Common Shares issued and outstanding.

Warrants

The Warrants will be created and issued pursuant to the terms of a warrant indenture to be dated the Closing Date (the "**Warrant Indenture**") between the Corporation and TSX Trust Company (the "**Warrant Agent**"). Each whole Warrant will be transferable and will entitle the beneficial holder thereof (a "**Warrant holder**") to purchase one Warrant Share at a price of \$0.155 at any time up to 5:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date (the "**Expiry Date**").

The Corporation will appoint the principal transfer offices of the Warrant Agent in Toronto, Ontario as the location at which the Warrants may be surrendered for exercise, transfer or exchange. Warrants may be exercised upon surrender of the certificate representing the Warrants on or before the Expiry Date to the Warrant Agent, with the notice of exercise on the certificate representing the Warrants properly completed, executed and accompanied by payment of the exercise price for the number of Warrant Shares for which the Warrants are being exercised.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution (other than as a dividend paid in the ordinary course or a distribution of Common Shares upon exercise of outstanding warrants or pursuant to the exercise or vesting of directors, officers or employee stock options or other awards granted under incentive plans of the Corporation);
- (b) the subdivision, re-division or change of the Common Shares into a greater number of Common Shares;
- (c) the consolidation, reduction or combination of the Common Shares into a lesser number of Common Shares;
- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not less than 21 days and not more than 90 days after the record date for such issuance, to subscribe for or purchase Common

Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, for the Common Shares on such record date; or

- (e) the issuance or distribution to all or substantially all of the holders of the Common Shares of securities of the Corporation including rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares or property or assets and including evidences of indebtedness, or any cash, property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

- (a) reclassification or other change or exchange of the Common Shares into other shares or into other securities;
- (b) consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or
- (c) the transfer of the undertaking or assets of the Corporation in their entirety or substantially in their entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Warrant Shares issuable upon exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Common Shares purchasable upon exercise by at least one-one hundredth of a Common Share, as the case may be.

The Corporation will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to Warrant holders of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, a prescribed number of days prior to the record date or effective date, as the case may be, of such event. With respect to any Warrants held, Warrant holders will not have any voting or pre-emptive rights or any other rights which a holder of Warrant Shares would have.

The Warrant Indenture is also expected to provide that in the event of an extraordinary transaction, as described in the Warrant Indenture and generally including any merger, arrangement or amalgamation of the Corporation with or into another entity, sale of all or substantially all of the Corporation’s assets, tender offer or exchange offer, or reclassification of the Common Shares, the holders of the Warrants will generally be entitled to receive upon exercise of the Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the Warrants immediately prior to such extraordinary transaction.

Under the Warrant Indenture, the Corporation may from time to time, subject to applicable law, purchase, by invitation for tender, in the open market, by private contract or otherwise (which shall include a purchase through an investment dealer or firm holding membership on a Canadian stock exchange) on any stock exchange or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled and shall not be reissued.

The Warrant Indenture will provide that, from time to time, the Corporation and the Warrant Agent, without the consent of the Warrant holders, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not prejudice the rights of any Warrant holder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the Warrant holders may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the Warrant holders at which there are Warrant holders present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to a lack of quorum, at which adjourned meeting the Warrant holders present

in person or by proxy shall form a quorum) and passed by the affirmative vote of Warrant holders representing not less than 66²/₃% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (2) adopted by an instrument in writing signed by the Warrant holders representing not less than 66²/₃% of the aggregate number of all the then outstanding Warrants.

The Warrants will not be exercisable in the United States unless an exemption from registration under the U.S. Securities Act and any applicable state securities law is available, nor will the Warrant Shares issuable upon exercise of the Warrants be registered in the United States.

The TSXV has conditionally approved the listing of the Warrants. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSXV.

The foregoing is a summary of the material provision of the Warrant Indenture, but is not, and does not purport to be, a complete summary and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

USE OF PROCEEDS

Except as expressly set forth to the contrary, the U.S. and Canadian dollar equivalent amounts set forth in this section have been determined based on an exchange rate of US\$1.00 = \$1.3062, being the daily exchange rate reported by the Bank of Canada for July 27, 2018.

After deducting the Agent's Commission and the estimated expenses of the Offering, (i) the net proceeds from the Minimum Offering prior to any exercise of the Over-Allotment Option are estimated to be \$2,434,632 (US\$1,863,904), (ii) the net proceeds from the Minimum Offering assuming the Over-Allotment Option is exercised in full are estimated to be \$2,850,882 (US\$2,182,577), (iii) the net proceeds from the Maximum Offering prior to any exercise of the Over-Allotment Option are estimated to be \$8,890,014 (US\$6,806,013), and (iv) the net proceeds from the Maximum Offering assuming the Over-Allotment Option is exercised in full are estimated to be \$10,277,514 (US\$7,868,254). See "*Plan of Distribution*".

The Corporation owes acquisition-related expenses of US\$4 million (C\$5,224,800) to the former shareholders of Talent, from whom the Corporation acquired Talent and its clinical-stage program evaluating CBD in the prevention and treatment of GVHD. On July 20, 2018, the Corporation announced that it had reached an agreement with the former shareholders of Talent modifying the Corporation's obligation to make such payments. Under such agreement, Kalytera will make a minimum payment to the former Talent shareholders of US\$1.5 million (C\$1,959,300) at the closing of the Offering from the net proceeds thereof. If the net proceeds of the Offering, after commissions, expenses, and the US\$1.5 million (C\$1,959,300) minimum payment mentioned above, are more than US\$1 million (C\$1,306,200), then on closing of the Offering that excess will be paid to the former Talent shareholders up to the remaining balance owing. If there is any remaining balance not paid at closing of the Offering, such debt will be evidenced through a promissory note bearing interest at 8% and maturing July 31, 2019. The note will be secured by the rights of Talent as licensee under the exclusive license agreement with Mor.

In addition to US\$50,000 (C\$65,310) previously paid in consideration for the deferral of the amounts owing to the former Talent shareholders, as additional consideration for the deferral, subject to the approval of the TSX Venture Exchange, Kalytera will, prior to August 15, 2018, issue to the former Talent shareholders units having a deemed aggregate price of US\$1 million (the Canadian dollar equivalent of which will be determined based on the daily average exchange rate in effect on August 8, 2018). Each unit will be composed of one Common Share and one half of one Common Share purchase warrant and will have terms and conditions and pricing substantially similar to those of the Units to be issued in the Offering. The amount of such payment will be reduced proportionately depending on the amount that the total payment to the former Talent shareholders at closing of the Offering exceeds US\$1.5 million (C\$1,959,300). If the former Talent shareholders are paid in full at the closing of the Offering, then there will be no such additional payment. The former Talent shareholders also have the ability to elect, by August 8, 2018, whether to receive the above noted additional payment in cash, instead of units, in which case, the amount of such payment will be reduced by 50% and such reduced cash amount owing will be added to the balance of the promissory note to be paid upon the maturity thereof.

The Corporation intends to use the net proceeds of the Minimum Offering (prior to any exercise of the Over-Allotment Option), the Minimum Offering (assuming the Over-Allotment Option is exercised in full), the Maximum Offering (prior to any exercise of the Over-Allotment Option), and the Maximum Offering (assuming the Over-Allotment Option is exercised in full), as follows:

	<u>Minimum Offering</u>	<u>Minimum Offering Assuming Exercise of Over-Allotment Option in Full</u>	<u>Maximum Offering Prior to Any Exercise of the Over-Allotment Option</u>	<u>Maximum Offering Assuming Exercise of Over-Allotment Option in Full</u>
Cash payment to the former Talent shareholders	\$1,959,300 (US\$1.5 million)	\$1,959,300 (US\$1.5 million)	\$5,224,800 (US\$4 million)	\$5,224,800 (US\$4 million)
Cash payments for the GVHD Prevention Study (as defined above).	\$0 ⁽¹⁾ (US\$0)	\$170,810 (US\$130,769)	\$395,907 (US\$303,098)	\$518,790 (US\$397,175)
Cash payments for set up activities in preparation for the GVHD Treatment Study (as defined above).	\$0 ⁽²⁾ (US\$0)	\$75,181 (US\$57,557)	\$1,561,658 (US\$1,195,573)	\$2,073,125 (US\$1,587,142)
Cash payments for CBD Synthesis Work (as defined below)	\$0 ⁽³⁾ (US\$0)	\$0 ⁽³⁾ (US\$0)	\$0 ⁽³⁾ (US\$0)	\$0 ⁽³⁾ (US\$0)
Cash payments for Pain Candidate Selection Program (as defined below)	\$0 ⁽⁴⁾ (US\$0)	\$0 ⁽⁴⁾ (US\$0)	\$0 ⁽⁴⁾ (US\$0)	\$0 ⁽⁴⁾ (US\$0)
Cash payments for general and administrative expenses				
Consulting and management fees (including investor relations)	\$0 (US\$0)	\$53,079 (US\$40,636)	\$233,235 (US\$178,560)	\$527,783 (US\$404,060)
Audit, legal and professional fees	\$150,866 (US\$115,500)	\$341,571 (US\$261,500)	\$447,374 (US\$342,500)	\$615,873 (US\$471,500)
Insurance, office, travel, other expenses	\$196,912 (US\$150,752)	\$204,422 (US\$156,502)	\$255,148 (US\$195,336)	\$305,873 (US\$234,170)
Board member fees	\$0 (US\$0)	\$0 (US\$0)	\$370,871 (US\$283,931)	\$501,851 (US\$384,207)
Salaries and benefits	\$127,554 (US\$97,652)	\$46,518 (US\$35,613)	\$401,021 (US\$307,015)	\$509,419 (US\$390,000)
Total net proceeds	\$2,434,632 (US\$1,863,904)	\$2,850,882 (US\$2,182,576)	\$8,890,014 (US\$6,806,013)	\$10,277,514 (US\$7,868,254)

Notes:

- (1) While in the event only the Minimum Offering is achieved, no cash proceeds of the Offering are expected to be allocated to the GVHD Prevention Study, the Corporation would nonetheless expect to be able to substantially complete the GVHD Prevention Study through payments in Common Shares under the December 2017 Payments Agreement.
- (2) While in the event only the Minimum Offering is achieved, no cash proceeds of the Offering are expected to be allocated to the GVHD Treatment Study, the Corporation would nonetheless expect to be able to fund set-up activities in respect of the GVHD Treatment Study until January 2019 through payments in Common Shares under the June 2018 Payments Agreement, which is expected to enable substantial progress toward securing the necessary FDA approval to commence the GVHD

Treatment Study, to recruit and engage appropriate clinical sites to participate in the GVHD Treatment Study, to prepare and develop necessary protocols, and to create and validate applicable assays and other laboratory work.

- (3) While no cash proceeds of the Offering will be allocated to the CBD Synthesis Work, the Corporation would nonetheless expect to be able to substantially complete the CBD Synthesis Work through payments in Common Shares under the June 2018 Payments Agreement.
- (4) While no cash proceeds of the Offering will be allocated to the Pain Candidate Selection Program, the Corporation would nonetheless expect to be able to substantially complete the Pain Candidate Selection Program through payments in Common Shares under the June 2018 Payments Agreement.

In order to obtain regulatory approval in the United States and successfully commercialize CBD in the treatment of acute grade 3 and grade 4 GVHD, it is expected that the Corporation will be required to carry out at least one Phase 2 pharmacodynamics and safety/dosing study (which is the currently ongoing GVHD Prevention Study), to be followed by a Phase 2-3 pivotal registration study in the treatment indication (i.e. the GVHD Treatment Study). These studies are expected to take approximately 18 - 24 months to complete. The Corporation estimates that the total remaining costs for the GVHD Prevention Study are \$884,020 (US\$676,788), while the total remaining costs of the set-up and completion of the GVHD Treatment Study are estimated to be approximately \$12.5 million to 15 million (US \$9.6 million to US \$11.4 million) depending on the number of patients and clinical sites recruited for the study.

The Corporation may also seek to complete a Phase 3 pivotal registration study in the prevention (rather than treatment) indication. This study is under consideration by the Corporation, but would not be required for commercialization of CBD in the treatment of GVHD, and the Corporation has not yet planned or determined the estimated costs that would be associated with any such study.

The Corporation funds its operating costs through a combination of cash and equity payments to its creditors. The Corporation's largest creditor and service provider throughout fiscal 2018 and fiscal 2019 will be the Salzman Group. Most of the research and development work and clinical study management work in relation to the GVHD Prevention Study and the GVHD Treatment Study is subcontracted to the Salzman Group and its affiliates. Under the December 2017 Payments Agreement and the June 2018 Payments Agreement with the Salzman Group, the Corporation may elect to pay amounts due to the Salzman Group in either cash or through the issuance of Common Shares to the Salzman Group. These payments agreements will allow Kalytera to fund the GVHD Prevention Study and the GVHD Treatment Study at least through November 2018 through the issuance of Common Shares and as such, these clinical studies will not require material funding from the proceeds of the Offering until after such date.

More particularly, most of the costs associated with the GVHD Prevention Study are expected to be funded through the issuance of Common Shares under the December 2017 Payments Agreement, and therefore the proceeds of the Minimum Offering are expected to be sufficient to enable the Corporation to substantially complete the GVHD Prevention Study.

Further, the Corporation anticipates that given the ability to pay for costs of the GVHD Treatment Study through the issuance of Common Shares under the June 2018 Payments Agreement, the proceeds of the Minimum Offering will enable the Corporation to fund set-up activities in respect of the GVHD Treatment Study until January 2019. This will allow the Corporation to make substantial progress toward securing the necessary FDA approval to commence the GVHD Treatment Study, to recruit and engage appropriate clinical sites to participate in the GVHD Treatment Study, to prepare and develop necessary protocols, and to create and validate applicable assays and other laboratory work. The net proceeds of the Maximum Offering, together with the ability to pay in Common Shares under the June 2018 Payments Agreement would enable the Corporation to continue to finalize the set-up activities in respect of the GVHD Treatment Study as required until mid-2019. However, the Corporation would not expect to commence the GVHD Treatment Study (beyond set-up activities) prior to raising significant additional funding in addition to the Offering, as described further below.

In addition to the GVHD Prevention Study and the GVHD Treatment Study, the Corporation is also carrying out research and development with respect to the chemical synthesis of CBD for use in its clinical studies (the "**CBD Synthesis Work**"). The estimated remaining costs of the CBD Synthesis Work are expected to be approximately \$421,250 (US\$322,500), and while the CBD Synthesis Work is expected to be completed in approximately August 2019, most of the work will be done and paid for in calendar 2018. This work is also subcontracted to the Salzman

Group and its affiliates, and the Corporation has the ability to pay for this work in Common Shares pursuant to the June 2018 Payments Agreement. Therefore, the Corporation anticipates being able to fund the CBD Synthesis Work substantially to completion without the use of proceeds from the Offering.

In connection with its exclusive license with BPL for a novel cannabinoid-based compound for the treatment of acute and chronic pain, the Corporation is carrying out a program to select the most promising of several potential candidate compounds that fall within the licensed technology (the “**Pain Candidate Selection Program**”). The estimated remaining costs of the Pain Candidate Selection Program are expected to be approximately \$588,379 (US\$450,451), and it is expected that the Pain Candidate Selection Program will be substantially complete prior to the end of calendar 2018. This work is subcontracted to BPL (an affiliate of the Salzman Group), and the Corporation also has the ability pay for this work in Common Shares pursuant to the June 2018 Payments Agreement. Therefore, the Corporation anticipates being able to fund the Pain Candidate Selection Program substantially to completion without the use of proceeds from the Offering.

The research and development and clinical studies described above are the principal business objectives that the Corporation expects to accomplish using the net proceeds of the Offering. Other current business objectives include the negotiation of joint venture, licensing or other commercial agreements with potential strategic partners. In particular, the Corporation may seek to develop and commercialize the dermatologic technology and/or the women’s health technology, for which it holds a six-month option to license from BPL, through such a commercial agreement or other strategic transaction during the next six months. However, the Corporation does not expect that these activities will involve the use of a significant portion of the proceeds of the Offering.

The Corporation intends to use the funds available to it as stated in this short form prospectus; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. The Corporation will invest the net proceeds of the Offering in short-term interest bearing investment grade securities until required for use. Any additional proceeds received from the exercise of the Corporation’s outstanding warrants will be used for research and development and for general corporate and working capital purposes.

In addition to the proceeds of the Minimum Offering, the Corporation estimates that between approximately \$21 and \$22 million (US\$16 and US\$17 million) incremental funding (net of expenses related to the Offering) (or in the case of the Maximum Offering, between approximately \$14.5 and \$16 million (US\$11 and US\$12 million) will be required to fund the Corporation’s anticipated pace of development and operations through the completion of the GVHD Prevention Study and the GVHD Treatment Study. The Corporation anticipates raising additional capital from alternate sources to fund these activities. If significant funding is not available on a timely basis, the Corporation will need to reduce its development plan in order to continue as a going concern. See “*Risk Factors*”.

At June 30, 2018, the Corporation estimates that it had approximately \$0.9 million (US\$0.7 million) in cash and a working capital deficit of approximately \$6.6 million (US\$5.1 million) (including warrant liability of approximately \$1.62 million (US\$1.24 million) and liability for the conversion component of the Convertible Debentures of approximately \$700,000 (US\$535,000)). If the full proceeds of the Minimum Offering are received by the Corporation, and after taking into account available reductions in expenses, it is expected that the Corporation would be able to continue to operate for at least approximately 5 months from the date of this short form prospectus. If the full proceeds of the Maximum Offering are received by the Corporation and the Over-Allotment Option is exercised in full, it is expected that the Corporation would be able to continue to operate for at least approximately 8 months from the date of this short form prospectus. Each of these expectations of operating duration are based on the estimated amount of its cash on hand, the projected proceeds from the Offering and anticipated expenditures.

For the year ended December 31, 2017, cash used in operating activities by the Corporation was \$6.951 million (US\$5.561 million) and the Corporation had a net loss of \$39.829 million (US\$31.863 million) (based on an exchange rate of US\$1.00 = \$1.25) The Corporation has not generated any revenue from licensing or product sales to date and it is possible that it will never have sufficient licensing or product sales revenue to achieve profitability and positive cash flow. Management expects that, unless the Corporation generates revenue from licensing, the Corporation will continue to incur losses for at least the next several years as it pursues further clinical studies and preparation for regulatory submittal. Based on the highly competitive pharmaceutical market, it is possible that the Corporation will never achieve significant licensing or product sales revenue. If funding is insufficient at any time in the future, the

Corporation may not be able to develop or commercialize its products, take advantage of business opportunities or respond to competitive pressures.

The Corporation has a history of negative operating cash flows and is reliant on the continued availability of financing to fund its operating activities. To the extent that the Corporation has negative operating cash flows in future periods, it will need to deploy a portion of the net proceeds from the sale of the Units and/or any working capital existing at such time to fund such negative cash flow. See “Risk Factors”.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement entered into between the Corporation and the Agent, the Corporation will agree to sell and the Agent will agree to arrange, on a commercially reasonable best efforts basis, for purchasers of a minimum of 27,272,728 Units and a maximum of 90,909,091 Units at a price of \$0.11 per Unit payable in cash to the Corporation against delivery of the Units. The Units will immediately separate into Offered Shares and Warrants upon issuance. The Offering Price was determined by negotiation between the Corporation and the Agent.

Pursuant to the Agency Agreement, the Corporation has granted to the Agent the Over-Allotment Option exercisable in whole or in part, in the sole discretion of the Agent, at any time prior to 5:00 p.m. (Toronto time) on the date that is the 30th day following the Closing Date, to purchase additional Over-Allotment Units representing up to 15% of the number of Units sold under the Offering, on the same terms as set forth above, solely to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Agent in respect of Over-Allotment Units at the Offering Price. If the Over-Allotment Option is exercised in full for Over-Allotment Units only, the total price to the public, Agent’s Commission and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$3,450,000 (US\$2,641,249), \$258,750 (US\$198,094) and \$3,191,250 (US\$2,443,156), respectively, in the case of the Minimum Offering and \$11,500,000 (US\$8,804,165), \$862,500 (US\$660,312) and \$10,637,500 (US\$8,143,852), respectively, in the case of the Maximum Offering. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of any Over-Allotment Securities. A purchaser who acquires Over-Allotment Securities forming part of the Agent’s over-allocation position acquires such securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

It is expected that the Closing Date will occur on or about August 8, 2018, or such other date as the Corporation and the Agent may agree.

The Offering will be subject to subscriptions being received for the Minimum Offering. All funds received by the Agent will be held in trust until the Minimum Offering has been attained. If subscriptions for the Minimum Offering have not been received within 10 days following the date of issuance of a receipt for this final prospectus, the Offering will not continue and the subscription proceeds will be returned to subscribers, without interest or deduction. In any event, the total period of the distribution will not end more than 60 days from the date of issuance of a receipt for this final prospectus.

There can be no assurance that any or all of the Units being offered will be sold.

The Warrants will be created and issued pursuant to the terms of the Warrant Indenture. Each Warrant will entitle the holder thereof to purchase one Warrant Share at an exercise price of \$0.155 per Warrant Share, subject to adjustment, at any time until 5:00 p.m. (Toronto time) on the date that is 36 months after the Closing Date, after which time the Warrants will expire and be void and of no value. The Warrant Indenture will contain provisions designed to protect the holders of Warrants against dilution upon the happening of certain events. No fractional Common Shares will be issued upon the exercise of any Warrants.

The obligations of the Agent under the Agency Agreement may be terminated by the Agent at any time in its sole discretion on the basis of its assessment of the state of the financial markets and on the occurrence of certain stated events. While the Agent has agreed to use its commercially reasonable best efforts to sell the Units offered hereby, the Agent is not obligated to purchase Units that are not sold.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Pursuant to the Agency Agreement, the Corporation has appointed the Agent to offer the Units to the public pursuant to the securities legislation of each of the provinces of British Columbia, Alberta and Ontario. If the Agent and the Corporation so agree, the Agent may also offer for sale the Units in the United States, by or through United States registered broker-dealers that may be appointed by the Agent as sub-agents, to U.S. Institutional Accredited Investors under certain exemptions from the registration requirements of the U.S. Securities Act and applicable state laws. In addition, the Agent is entitled to offer the Units outside of Canada and the United States, provided that the Agent shall not take any action in connection with the distribution of the Units that would result in the Corporation being obligated to comply with the prospectus, registration, reporting or other similar requirements of the securities laws of any jurisdiction.

In consideration of such services, the Corporation has agreed to pay, on the Closing Date and upon any exercise of the Over-Allotment Option, the Agent's Commission of 7.5% of the gross proceeds of the Offering (or \$0.00825 per Unit) sold by the Agent.

The Corporation has also agreed to grant, on the Closing Date and upon any exercise of the Over-Allotment Option, a number of Broker Warrants to the Agent equal to 5% of the aggregate number of Units issued pursuant to the Offering on the Closing Date or pursuant to the exercise of the Over-Allotment Option. Each Broker Warrant shall entitle the Agent to acquire one Broker Warrant Share at an exercise price equal to the Offering Price, subject to customary adjustment, for a period of 24 months following the Closing Date. This short form prospectus qualifies the grant of the Broker Warrants.

Pursuant to the terms of the Agency Agreement, the Corporation has agreed to reimburse the Agent for certain expenses incurred in connection with the Offering.

Certificates evidencing the Offered Shares and Warrants will not be issued unless a request for a certificate is made to the Corporation.

The TSXV has conditionally approved the listing of the Offered Shares, Warrant Shares, the Broker Warrant Shares and the Warrants distributed under this short form prospectus. Listing is subject to the Corporation fulfilling all of the applicable listing requirements of the TSXV.

The Corporation will agree to indemnify the Agent and its directors, officers, employees, shareholders and agents against any and all fees, costs, expenses, losses, claims, actions, damages, fines, penalties, or liabilities of any nature whatsoever, joint or several, that arise out of or are based, directly or indirectly, upon the performance of the professional services rendered to the Corporation by the Agent or its directors, officers, employees, shareholders or agents pursuant to the Agency Agreement. This indemnity does not apply to the extent such fees, costs, expenses, losses, claims, actions, damages, fines, penalties, or liabilities as to which indemnification is claimed arise out of gross negligence or wilful misconduct in the performance of such professional services.

Pursuant to policy statements of certain Canadian provincial securities commissions and similar authorities, the Agent may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to applicable laws, pursuant to the first-mentioned exception, in connection with the Offering, the Agent may effect transactions which stabilize or maintain the market price of the Common Shares at a level above that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Offered Shares and Warrants comprising the Units, and the Warrant Shares issuable on the exercise of the Warrants have not been and will not be registered under the U.S. Securities Act or any securities or "blue sky" laws of any of the states of the United States, and may not be offered or sold, directly or indirectly, within the United States except in accordance with an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Except as permitted in the Agency Agreement, and as expressly permitted by applicable laws of

the United States, the Agent will not offer, sell or deliver the Units within the United States. If the Agent and the Corporation so agree, the Agent may, by or through certain United States registered broker-dealers that may be appointed by the Agent as sub-agents, offer and sell the Units in the United States to U.S. Institutional Accredited Investors, provided such offers and sales are made in compliance with Rule 506(b) of Regulation D under the U.S. Securities Act and/or Section 4(a)(2) of the U.S. Securities Act and applicable state securities laws. The Agent will offer and sell the Units outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. Any Units that are sold in the United States will be restricted securities within the meaning of Rule 144(a)(3) of the U.S. Securities Act and will carry resale restrictions to the effect that such securities may only be offered, sold or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act.]

This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units within the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units offered hereby within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless such offer or sale is made pursuant to an exemption under the U.S. Securities Act.

ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to the Corporation and Dentons Canada LLP, counsel to the Agent, based on the current provisions of the Income Tax Act (Canada) and the regulations thereunder (the “**Tax Act**”) in force on the date hereof, the Offered Shares, Warrants and Warrant Shares will be qualified investments at the time of acquisition by a trust governed by a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”), deferred profit sharing plan, registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”), or a tax-free savings account (“**TFSA**”), each as defined in the Tax Act (each a “**Plan**”) provided that, at the time of the acquisition by the Plan; (i) the Offered Shares and Warrant Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes Tiers 1 and 2 of the TSXV); and (ii) in the case of the Warrants, neither the Corporation, nor any person with whom the Corporation does not deal at arm’s length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Plan.

Notwithstanding that the Offered Shares, Warrant Shares and Warrants may be qualified investments for a trust governed by a RRSP, RRIF, RESP, RDSP or TFSA, the holder of such RDSP or TFSA or the subscriber of such RESP or annuitant under such RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of the Offered Shares, Warrant Shares and Warrants if such securities are a “prohibited investment” and not “excluded property” for the TFSA, RRSP, RESP, RDSP or RRIF for purposes of the Tax Act. Offered Shares, Warrant Shares and Warrants will generally be a “prohibited investment” if the holder of a RDSP or TFSA, the subscriber of such RESP or annuitant under a RRSP or RRIF, as the case may be, (i) does not deal at arm’s length with the Corporation for purposes of the Tax Act or (ii) has a “significant interest” (as defined for purposes of the prohibited investment rules in the Tax Act) in the Corporation. Generally, a holder, subscriber or annuitant, as the case may be, will not have a significant interest in the Corporation provided the holder, subscriber or annuitant, together with persons or partnerships with whom the holder, subscriber or annuitant does not deal at arm’s length, does not own (and is not deemed to own pursuant to the Tax Act), directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Corporation or of any other corporation that is related to the Corporation (for purposes of the Tax Act).

Prospective purchasers who intend to hold Offered Shares, Warrant Shares or Warrants in trusts governed by Plans should consult their own tax advisors in regard to the application of these rules under the Tax Act in their particular circumstances.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to the Corporation, and Dentons Canada LLP, counsel to the Agent, the following summary describes the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a person who acquires Common Shares and Warrants comprising the Units as beneficial owner pursuant to the Offering, and who, for the purposes of the Tax Act and at all relevant times: (a) deals at arm’s length with the Corporation; (b) is not affiliated with the Corporation; and (c) acquires and holds the Common Shares and Warrants as capital property (a “**Holder**”). Generally, the Offered Shares, the Warrants and the Warrant Shares will

be considered to be capital property to a Holder unless the Holder holds such securities in the course of carrying on a business or an adventure or concern in the nature of trade.

This summary does not apply to a Holder (a) that is a “financial institution”, as defined in the Tax Act, for purposes of the mark-to-market rules therein; (b) that is a “specified financial institution” as defined in the Tax Act; (c) an interest in which is a “tax shelter investment” as defined in the Tax Act; (d) that has made a functional currency reporting election under the Tax Act; (e) that has entered or will enter into a “derivative forward agreement” or a “synthetic disposition arrangement”, as defined in the Tax Act, with respect to the Offered Shares, the Warrants or the Warrant Shares; (f) that receives dividends on Offered Shares or Warrant Shares under or as part of a “dividend rental arrangement”, as defined in the Tax Act; or (g) that is a corporation resident in Canada and is, or becomes, or does not deal at arm’s length for purposes of the Tax Act with a corporation resident in Canada that is or becomes, controlled by a non-resident corporation for the purposes of the “foreign affiliate dumping” rules section 212.3 of the Tax Act. Such Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). This summary assumes that the Proposed Amendments will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that such Proposed Amendments will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The following description of income tax matters is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to them based on their own particular circumstances.

Allocation of Purchase Price

A Holder who acquires Units will be required to allocate the purchase price of each Unit between the Offered Share and the Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act.

For its purposes, the Corporation intends to allocate \$0.07 of the issue price of each Unit for the issue of each Offered Share and \$0.04 of the issue price of each Unit for the issue of each one-half of one Warrant. Although the Corporation believes that this allocation is reasonable, it is not binding on the CRA or the Holder and the CRA may not be in agreement with such allocation. Counsel express no opinion with respect to such allocation.

Adjusted Cost Base of Offered Shares

The adjusted cost base to a Holder of an Offered Share acquired pursuant to the Offering will be determined by averaging the cost of that Offered Share with the adjusted cost base (determined immediately before the acquisition of the Offered Share) of all other Common Shares held as capital property by the Holder immediately prior to such acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. The Holder’s cost of the Warrant Share will equal the aggregate of such Holder’s adjusted cost base of the Warrant exercised plus the exercise price paid for such Warrant Share. The Holder’s adjusted cost base of such Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base (determined immediately

before the acquisition of the Warrant Share) of all other Common Shares held by such Holder as capital property immediately prior to such acquisition.

Resident Holders

The following section of this summary is generally applicable to a Holder who, for purposes of the Tax Act, is or is deemed to be resident in Canada at all relevant times (a “**Resident Holder**”). Certain Resident Holders whose Offered Shares and Warrant Shares might not constitute capital property may, in certain circumstances, make an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Offered Shares and Warrant Shares, and every other “Canadian security” (as defined in the Tax Act), held by such Resident Holder in the taxation year of the election and all subsequent taxation years to be capital property. This election does not apply to the Warrants. Resident Holders should consult their own tax advisors regarding this election.

Expiry of Warrants

If a Warrant expires unexercised, the Resident Holder will generally realize a capital loss equal to the adjusted cost base of such Warrant to the Resident Holder. The tax treatment of capital gains and capital losses is discussed under the subheading “*Capital Gains and Capital Losses.*”

Dividends on Offered Shares and Warrant Shares

Dividends received or deemed to be received on Offered Shares or Warrant Shares will be included in computing the Resident Holder’s income. In the case of a Resident Holder who is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules that apply to “taxable dividends” received from “taxable Canadian corporations”, including an enhanced gross-up and dividend tax credit that applies to any dividends designated as “eligible dividends” by the Corporation (all within the meaning of the Tax Act).

Dividends received or deemed to be received on Offered Shares or Warrant Shares by a Resident Holder that is a corporation will be included in computing the Resident Holder’s income but will generally be deductible in computing its taxable income for purposes of the Tax Act. A Resident Holder that is a “private corporation” or a “subject corporation” (each as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Offered Shares and Warrant Shares to the extent that such dividends are deductible in computing the Resident Holder’s taxable income for the taxation year.

In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of a disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

Disposition of the Offered Shares, the Warrants and the Warrant Shares

A Resident Holder who disposes or is deemed to dispose of a Warrant (other than on the exercise thereof), an Offered Share, or a Warrant Share (other than on a disposition of the Offered Share or Warrant Share to the Corporation) will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of such security to the Resident Holder. The tax treatment of capital gains and capital losses is discussed under the subheading “*Capital Gains and Capital Losses.*”

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Any allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be applied to reduce net

taxable capital gains realized in any of the three preceding taxation years or in any subsequent taxation year in the circumstances and to the extent provided in the Tax Act.

A capital loss realized on the disposition of an Offered Share or a Warrant Share by a Resident Holder that is a corporation may in certain circumstances be reduced by the amount of dividends that have been previously received or deemed to have been received by the Resident Holder on such share or on any share substituted for such share to the extent and in the circumstances described by the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Offered Shares or Warrant Shares, directly or indirectly, through a partnership or trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout a taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) may also be liable to pay an additional refundable tax on its “aggregate investment income” (as defined in the Tax Act) for the year, which will include amounts in respect of net taxable capital gains.

Alternative Minimum Tax

Capital gains realized and taxable dividends received or deemed to be received by a Resident Holder that is an individual (including certain trusts) may affect the Resident Holder’s liability to pay alternative minimum tax under the Tax Act. Resident Holders should consult their own tax advisors with respect to the application of alternative minimum tax.

Non-Resident Holders

The following section of this summary generally applies to a Holder who, at all relevant times and for purposes of the Tax Act, is not resident or deemed to be resident in Canada, and does not use or hold the Offered Shares, the Warrants or the Warrant Shares in the course of a business carried on or deemed to be carried on in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere. Such Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder on the Offered Shares or Warrant Shares will generally be subject to Canadian withholding tax at the rate of 25% on the gross amount of such dividends but subject to reduction under the provisions of an applicable tax treaty or convention. Under the Canada-United States Tax Convention (1980), as amended (the “**Treaty**”), the rate of withholding tax on such dividends paid or credited to a Non-Resident Holder who is resident of the United States for purposes of the Treaty and fully entitled to the benefits under the Treaty is generally reduced to 15% of the gross amount of the dividend (or 5% if such Non-Resident Holder is a company that beneficially owns at least 10% of the Corporation’s voting stock).

Disposition of the Offered Shares, the Warrants and the Warrant Shares

A Non-Resident Holder who disposes, or is deemed to have disposed, of an Offered Share, Warrant or Warrant Share will not be subject to income tax under the Tax Act in respect of any capital gain realized on such disposition or deemed disposition unless, at the time of such disposition or deemed disposition, the Offered Share, Warrant or Warrant Share, as the case may be, is or is deemed to be “taxable Canadian property” (as defined in the Tax Act) to the Non-Resident Holder, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty or convention.

Provided that the Offered Shares and Warrant Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes Tier 1 and 2 of the TSXV) at the time of disposition, the Offered Shares, the Warrants and the Warrant Shares will generally not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition, the following two conditions are met: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm’s length, or (iii) partnerships in which the Non-Resident Holder or such non-arm’s

length persons held a membership interest (either directly or indirectly through one or more partnerships), owned 25% or more of the issued shares of any class or series of the capital stock of the Corporation; and (b) more than 50% of the fair market value of the Offered Shares or Warrant Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Tax Act), “timber resource properties” (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law purposes, a right in, any such property, whether or not such property exists. The Offered Shares, the Warrants or the Warrant Shares may also be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act in certain circumstances.

A Non-Resident Holder’s capital gain (or capital loss) in respect of the Offered Shares, the Warrants and the Warrant Shares that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined in the Tax Act) will generally be computed in the manner described above the subheading “*Resident Holders*” - “*Disposition of the Offered Shares, the Warrants and the Warrant Shares*”.

Non-Resident Holders whose Offered Shares, Warrants or Warrant Shares may constitute or may be deemed to constitute taxable Canadian property should consult their own tax advisors.

RISK FACTORS

Prior to making an investment decision investors should consider the investment risks set out below and the risk factors relating to the Corporation discussed in the AIF, which is incorporated by reference in this short form prospectus. These risk factors, together with all of the other information included or incorporated by reference in this short form prospectus, should be carefully reviewed and considered before a decision is made to invest in the Units. Such risks may not be the only risks facing the Corporation. Additional risks not currently known may also negatively impact the Corporation’s business, financial condition and/or results of operations. The following are certain risks relating to this Offering:

Reliance on Salzman Group for Research and Development Services and Very Small Number of Employees and Key Consultants

The Corporation relies heavily on its relationship with the Salzman Group for its research and development services, and Salzman Group also provides general and administrative services support to the Corporation. If the Salzman Group were to terminate providing its research and development services related to Kalytera’s business and/or products and/or related technology, there is no assurance that the Corporation would be able to complete these tasks itself or through an alternate third party research and development provider. The Corporation manages its business through a very small number of employees and key consultants. The Corporation depends on them even more than similarly-situated companies. The Corporation’s success is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management could have a material adverse effect on Kalytera’s business, operating results or financial condition. Kalytera does not currently carry “key person” insurance on the lives of members of management.

Market Price of Common Shares

The trading prices of TSXV listed companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada, North America and globally, and market perceptions of the attractiveness of particular industries. The trading price of the Common Shares is also likely to be significantly affected by changes from time to time in the Corporation’s operating results, financial condition, liquidity and other internal factors.

Going Concern

The Annual Financial Statements and Interim Financial Statements incorporated by reference herein were prepared using generally accepted accounting principles applicable to a going concern, as more particularly set forth in Note 1

to such financial statements. The Corporation has incurred significant losses to date, and with no assumption of revenues, is dependent on our ability to raise additional capital by continuing to demonstrate the successful progression of our research and development activities if we are to remain a going concern. These uncertainties may cause significant doubt about our ability to continue as a going concern. The report of the independent auditors included in the Annual Financial Statements contains an explanatory paragraph describing the existence of a material uncertainty that may cast significant doubt as to the Corporation's ability to continue as a going concern. We cannot guarantee the Corporation's ability to continue as a going concern, and if the Corporation were to cease to continue as such, its securities would have little or no value.

Negative Operating Cashflow

The Corporation had negative operating cash flow for the financial year ended December 31, 2017 and the three months ended March 31, 2018. The Corporation anticipates that it will continue to have negative operating cash flow for the foreseeable future and that it will need to allocate a portion of its cash reserves to fund such negative cash flow. The Corporation may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Corporation.

Dilution of Current Offering

While the net proceeds of the Offering are expected to enhance the Corporation's liquidity, to the extent that a portion of the net proceeds of the Offering remain as cash, or are used to pay down indebtedness with a low interest rate, the Offering may dilute the interest of holders of Common Shares.

Potential Dilution from Additional Financings

The Corporation will need to raise additional capital to fund research, development, corporate activities and for working capital. The Corporation is examining both non-dilutive and dilutive financing arrangements, with a preference for non-dilutive alternatives. There is no assurance that efforts to obtain non-dilutive sources of financing will be successful. To the extent that the Corporation needs to raise such additional capital through the sale of Common Shares and/or warrants, any such financing transaction will result in existing common shareholders experiencing immediate dilution.

Use of Proceeds

The net proceeds will be used in the manner discussed in "*Use of Proceeds*". Accordingly, the Corporation's management will have broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditures, and there can be no assurance as to how the funds will be allocated. The Corporation may re-allocate the net proceeds of the Offering other than as described under the heading "*Use of Proceeds*" if management of the Corporation believes it would be in the Corporation's best interest to do so and in ways that a purchaser may not consider desirable. Until utilized, the net proceeds of the Offering will be held in cash balances in the Corporation's bank account or invested at the discretion of the Corporation's board of directors. As a result, a purchaser will be relying on the judgment of management of the Corporation for the application of the net proceeds of the Offering. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Corporation's business, financial condition and results of operations may suffer, which could adversely affect the price of the Offered Shares on the open market.

Absence of Market for Warrants

The TSXV has conditionally approved the listing of the Offered Shares, the Warrant Shares, the Broker Warrant Shares and the Warrants. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. There can be no assurance that an active or liquid market for the Warrants will develop following the Offering, or if developed, that such market will be maintained. If an active public market does not develop or is not maintained, purchasers may not be able to resell the Warrants purchased hereunder.

Even if a market develops for the Warrants, it is not possible to predict the price at which the Warrants will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a diminished liquidity for the remaining Warrants. A decrease in the liquidity of the Warrants may cause, in turn, an increase in the volatility associated with the price of the Warrants. If any secondary market trading of the Warrants becomes illiquid, an investor may have to exercise such Warrants to realize value. The Offering Price and the allocation thereof between the Offered Shares and the Warrants comprising the Units have been determined by negotiation between the Corporation and the Agent.

Holders of Warrants Have no Rights as a Shareholder

Until a holder of Warrants acquires Warrant Shares upon exercise of Warrants, such holder will have no rights with respect to the Warrant Shares underlying such Warrants. Upon exercise of such Warrants, such holder will be entitled to exercise the rights of a common shareholder only as to matters for which the record date occurs after the exercise date.

Financial Risk Related to the Fluctuation of Foreign Exchange Rates

The proceeds of the Offering will be denominated in Canadian dollars, while Kalytera's functional currency, use of proceeds and other expenses are largely denominated in United States dollars. Kalytera may maintain cash and other financial instruments, or may incur expenditures in currencies other than the United States dollar. Significant changes in the currency exchange rates between the United States dollar relative to these other currencies, which may include but are not limited to Canadian dollars, Israeli new shekel (NIS), Australian dollars, Euros, and British pounds, could have an effect on Kalytera's results of operations, financial position or cash flows. Kalytera has not hedged its exposure to currency fluctuations.

LEGAL PROCEEDINGS

There are no legal proceedings that the Corporation is or was a party to, or that any of its property is or was a subject of, that were or are material to the Corporation, nor are any such legal proceedings known to the Corporation to be contemplated which could be deemed material to the Corporation.

To the knowledge of management of the Corporation, there have not been any penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and the Corporation has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority.

EXECUTIVE OFFICERS AND DIRECTORS

The following sets forth the names and province or state and country of residence of the Corporation's directors and executive officers,⁽¹⁾ the offices held by them in the Corporation and their principal occupations during the last five years. The term of each of the directors expires on the date of the Corporation's next annual meeting.

Name, Province of Residence and Position with Kalytera	Director Since	Position and Principal Occupation in the Past Five Years
Ronald Erickson ⁽⁵⁾⁽⁷⁾⁽⁹⁾ Bainbridge Island, Washington Interim Chairman and Director	December 30, 2016 ⁽²⁾	CEO and Chairman of Visualant, Inc. from 2006 to present. Mr. Erickson previously was Chairman, CEO and Co-Founder, of Blue Frog Media, a mobile media and entertainment company; Chairman and CEO of eCharge Corporation, an Internet-based transaction procession company; Chairman, CEO and Co-founder of GlobalTel Resources, a provider of telecommunications services.
Robert Farrell Novato, California Chief Executive Officer, President and Director	December 30, 2016 ⁽³⁾	President of Kalytera since July 2016. Chief Financial Officer of Kalytera from July 2016 to June 2018. Chief Executive Officer of Kalytera since June 2017. Chief Financial Officer of Amarantus Bioscience Holdings, Inc. from May 2014 to July 2016. Chief Financial Officer of Biovest International, Inc.

Name, Province of Residence and Position with Kalytera	Director Since	Position and Principal Occupation in the Past Five Years
		from December 2013 to May 2014 and Chief Financial Officer of Sanovas, Inc. from September 2012 to December 2013.
Gary Leong ⁽⁶⁾⁽⁸⁾⁽¹⁰⁾ Surrey, British Columbia Director	December 30, 2016	Chief Scientific Officer of Aphria Inc., a Health Canada Licensed Producer of medical cannabis products since June 2014. President of Neutrical Solutions Inc. from March 2012 to January 2018. Chief Scientific Officer of Jamieson Laboratories Ltd. from July 2000 to January 2014.
Jeffrey Paley ⁽⁶⁾⁽⁸⁾⁽¹⁰⁾ Teaneck, New Jersey Director	December 30, 2016 ⁽⁴⁾	Mr. Paley has been an active clinician at Access Medical Associates, PC which he founded in 2003, and has been consultant in the healthcare industry for the past 22 years.
Victoria Rudman Hallandale Beach, Florida Interim Chief Financial Officer	N/A	Interim Chief Financial Officer of Kalytera since June 2018. Secretary and Treasurer of Kalytera since March 2015. Interim Chief Financial Officer of Kalytera from March 2015 to June 2016. Chief Financial Officer and Secretary of Kaya Inc. since February 2018. Interim CEO, Chief Financial Officer and Director of Life Clips, Inc. since January 2017. Secretary, Treasurer and VP, Finance of TheraKine Inc. since October 2015. Interim CEO and CFO of chatAND, Inc. from May 2016 to October 2016. CEO of Intelligent Living Inc. from 2011 to November 2014. CEO, CFO and Director of Feel Golf Co., Inc. from April 2013 to August 2013.

Notes:

- (1) The Corporation does not consider its Chief Scientific Officer, Dr. Sari Prutchi-Sagiv, or the Corporation's Chief Medical Officer, Dr. Moshe Yeshurun, to be "executive officers" of the Corporation as defined under applicable law.
- (2) Mr. Erickson was appointed as a director of the privately held Delaware corporation that carried on the current business of the Corporation prior to the Merger on December 3, 2015.
- (3) Mr. Farrell was appointed as a director of the privately held Delaware corporation that carried on the current business of the Corporation prior to the Merger on June 20, 2016.
- (4) Dr. Paley was appointed as a director of the privately held Delaware corporation that carried on the current business of the Corporation prior to the Merger on December 3, 2015.
- (5) Chair of the Audit Committee.
- (6) Member of the Audit Committee.
- (7) Chair of the Nomination and Corporate Governance Committee.
- (8) Member of the Nomination and Corporate Governance Committee.
- (9) Chair of the Compensation Committee.
- (10) Member of the Compensation Committee.

Biographies

Ronald Erickson – Director

Ronald Erickson is a senior executive with more than 30 years of experience in the high technology, telecommunications, micro-computer, and digital media industries. Mr. Erickson was the founder, in April 2003, of Visualant, a developer of unique spectral pattern matching technology. Mr. Erickson previously was Chairman, CEO and Co-Founder, of Blue Frog Media, a mobile media and entertainment company; Chairman and CEO of eCharge Corporation, an Internet-based transaction procession company; Chairman, CEO and Co-founder of GlobalTel Resources, a provider of telecommunications services; Chairman, Interim President and CEO of Egghead Software, Inc., a software reseller where he was an original investor; Chairman and CEO of NBI, Inc.; and Co-founder of MicroRim, Inc., the database software developer. Earlier, Mr. Erickson practiced law in Seattle and worked in public policy in Washington, D.C. and New York City. Additionally, Mr. Erickson has been an angel investor and board member of a number of public and private technology companies. In addition to his business activities, Mr. Erickson serves on the Board of Trustees of Central Washington University where he received his BA degree. He also holds a MA from the University of Wyoming and a JD from the University of California, Davis. He is licensed to practice law in the State of Washington.

Robert Farrell – Chief Executive Officer, President, Chief Financial Officer, Director

Mr. Farrell has over 25 of years' experience as President and CEO, and as CFO with both public and private companies in the pharmaceutical, biotechnology and medical device industries, including extensive M&A experience, and experience in corporate finance and corporate partnering activities. Most recently, he served as CFO of Amarantus Bioscience Holdings, Inc. Previously, he served as Chief Financial Officer of Titan Pharmaceuticals from 1996 to 2008 and as President and Chief Executive Officer of Titan Pharmaceuticals from 2008 to 2009. From 1991 - 1996, he served as CFO, Corporate Group Vice President and General Counsel at Fresenius USA and Fresenius Medical Care where he completed 6 corporate partnership and M&A transactions totaling over \$4 billion. Mr. Farrell holds B.A. degree from the University of Notre Dame, and a J.D. degree from the University of California.

Gary Leong – Director

Gary Leong is the Chief Scientific Officer of Aphria Inc., a Health Canada Licensed Producer of medical cannabis products. Gary has a personal background in quality assurance, quality control, quality system audits, international and domestic regulatory affairs and product research and development. Gary currently is the president of Neutrical Solutions Inc. located in Surrey, British Columbia. Prior to that, he was the Chief Scientific Officer at Jamieson Laboratories Limited. He began at Jamieson in the year 2000 as the Vice President of Scientific and Technical Affairs. He also held the position of Quality Control Manager at Boehringer Ingelheim Consumer Products: Quest Vitamins and Development Officer at Atomic Energy of Canada: Radiochemical Company. Gary's educational background began with a Bachelors of Science in Chemistry and has taken him most recently to an MBA in Quality Management from City University of Bellevue Washington. Gary is currently affiliated with The Life Sciences Working Team of Windsor-Essex Economic Development Corporation. In the past, he was a member of the Natural Health Products Directorate Program Advisory Committee and a board member of the Ontario Ginseng Innovation and Research Consortium.

Gary Leong was initially nominated for election as a director of the Corporation by Aphria Inc., as a condition of an investment Aphria Inc. made in the Corporation in connection with the Merger and as required pursuant to the definitive agreement that governed the Merger. Such definitive agreement provides that Mr. Leong is entitled to serve on the board of directors for two years from the date of the Merger.

Jeff Paley – Director

Jeff Paley has been an active clinician and consultant in the healthcare industry for the past 22 years, during which time Dr. Paley has consulted for over 30 analysts and portfolio managers in the biotechnology, pharmaceutical, specialty pharmaceutical, and medical technology arenas, reviewing the clinical, preclinical and regulatory pedigrees of numerous therapeutics and devices. Dr. Paley founded Access Medical Associates, PC in 2003, after spending five years on the full-time academic faculty of Weill Cornell Medical College, where he served as a Director of Clinical Research at the Cornell Internal Medicine Associates. At Weill-Cornell, Dr. Paley was a Principal or Co-Principal Investigator on several studies of diabetes, hypertension, and cholesterol disorders, including the landmark ACCORD study of intensive hyperglycemia, hypertension and hyperlipidemia management. Additional clinical interests include sleep disorders, weight loss, adult attention-deficit disorder, and cardiovascular disease prevention. He has served as a Director of Retrophin, Kellbenx Inc., and Remote Radiology, Inc. He trained at Harvard Medical School and completed a residency in Internal Medicine at Massachusetts General Hospital. He holds a Bachelor's Degree in mathematics and Rabbinic Ordination from Yeshiva University.

Victoria Rudman – Interim Chief Financial Officer

Victoria Rudman has served as Interim Chief Financial Officer of Kalytera since June 2018, and formerly served as Kalytera's Interim Chief Financial Officer from March 2015 through June 2016, and has served as Treasurer and Secretary of Kalytera from March 2015 to present. Ms. Rudman has over 25 years of professional experience in multiple aspects of leadership, operations, accounting, finance, taxation and fiscal management. Ms. Rudman has spent most of her career in Fortune 500 global investment bank and retail brokerage firms as well as small cap public companies and startup ventures. She served as Chairman and CEO of Intelligent Living Inc. from 2011 through November 2014. Previously, Victoria held various technology controllership positions at Morgan Stanley and acted as a Vice President at Bear Stearns and Director of Business Planning & Strategy at Visual Networks, where she was

the lead project manager for the entire technology business enterprise, including IPO and strategic M&A. Victoria holds a Bachelor of Business Administration in Public Accounting from Pace University, Lubin School of Business.

Share Ownership by Directors and Executive Officers

As of the date hereof, as a group, the Corporation's directors and executive officers beneficially owned, directly or indirectly, or exercised control over 681,969 Common Shares, representing approximately 0.4% of the issued and outstanding Common Shares.

AGENT FOR SERVICE OF PROCESS

Each of Ronald Erickson, Robert Farrell and Jeffrey Paley is a director of the Corporation, and Victoria Rudman is an officer of the Corporation, that in each case resides outside of Canada. Kost Forer, the auditors of the Corporation, is a firm that is organized under the laws of a foreign jurisdiction. Each of the foregoing directors and officers has appointed the Corporation as his, her or its agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or entity that resides outside of Canada or that is organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process. The Corporation's head office is located at 41 Thunderbird Drive, Novato, California 94949 and its registered office is located at 1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

Name of the Person or Entity	Name and Address of Agent
Ronald Erickson	1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2
Robert Farrell	1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2
Jeffrey Paley	1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2
Victoria Rudman	1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2

INTEREST OF EXPERTS

Certain Canadian legal matters relating to the Offering will be passed upon by Torys LLP on behalf of the Corporation and Dentons Canada LLP on behalf of the Agent. As at the date hereof, the partners and associates of each of Torys LLP and Dentons Canada LLP and their designated professionals, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and the warrant agent for the Warrants is TSX Trust Company at its offices in Toronto, Ontario.

AUDITOR

The Corporation's consolidated financial statements as at December 31, 2017 incorporated by reference in this short form prospectus have been audited by Kost Forer, as set forth in their report incorporated by reference in this short form prospectus. Kost Forer, a member of Ernst & Young Global, are the auditors of the Corporation and have confirmed that they are independent of the Corporation in accordance with applicable rules of professional conduct.

STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provide purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a

purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

Furthermore, original purchasers of securities issued under this short form prospectus which are convertible, exchangeable or exercisable into other securities of the Corporation ("**Convertible Securities**") will have a contractual right of action for rescission against us in respect of the conversion, exchange or exercise of such Convertible Securities. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that the prospectus or any amendment thereto contains a misrepresentation, provided that: (i) the conversion, exchange or exercise took place within 180 days of the date of the purchase of the Convertible Securities under this prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the Convertible Securities under this prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under Section 130 of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers under Section 130 of the *Securities Act* (Ontario) or otherwise at law. Original purchasers are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible, exchangeable or exercisable security that was purchased under a prospectus, and therefore a further payment at the time of conversion, exchange or exercise may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights, or consult with a legal advisor.

CERTIFICATE OF THE CORPORATION

Dated: August 1, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta and Ontario.

KALYTERA THERAPEUTICS, INC.

(SIGNED) "*Robert Farrell*"
Chief Executive Officer

(SIGNED) "*Victoria Rudman*"
Interim Chief Financial Officer

On behalf of the Board of Directors of Kalytera Therapeutics, Inc.

(SIGNED) "*Ronald Erickson*"
Director

(SIGNED) "*Gary Leong*"
Director

CERTIFICATE OF THE AGENT

Dated: August 1, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta and Ontario.

ECHELON WEALTH PARTNERS, INC.

(SIGNED) "*Michael Lorimer*"
Managing Director, Investment Banking