

# **Silo Wellness Inc. (formerly Yukoterre Resources Inc.)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three months ended January 31, 2021 and 2020**

**(Expressed in Canadian Dollars)**

# Silo Wellness Inc. (formerly Yukoterre Resources Inc.)

## Management Discussion and Analysis

For the three months ended January 31, 2021 and 2020

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### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") relates to the financial position and results of Silo Wellness Inc. (formerly Yukoterre Resources Inc.) (the "Company") for the three months ended January 31, 2021. This MD&A should be read in conjunction with the unaudited condensed interim financial statements for the three months ended January 31, 2021 and 2020. Unless otherwise noted, all references to currency in this MD&A are in Canadian dollars.

All financial statement information discussed in this MD&A have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due.

The Company's certifying officers are responsible for ensuring the financial statements do not contain any untrue statement of material fact or omit a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the financial statements fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as of the date hereof. The Board of Directors approves the financial statements and ensures that management has discharged its financial responsibilities. The Board of Directors' review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

This MD&A is as of March 30, 2021. The reader should be aware that historical results are not necessarily indicative of future performance.

### OVERVIEW

The Company was an independent Canadian coal exploration company focused on pursuing the exploration, evaluation and development of resource assets. Yukoterre Resources Inc., formerly 2560344 Ontario Inc., was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation, dated February 8, 2017, and on October 25, 2017 was renamed Yukoterre Resources Inc. The principal activity of the Company was the exploration and evaluation of coal. Common shares of the Company were approved for listing on the Canadian Securities Exchange on September 20, 2019 and traded under the symbol YT.

On March 1, 2021, the Company announced that it had successfully closed the transactions under the amalgamation agreement dated as of August 25, 2020 (as amended to the date hereof, the "Amalgamation Agreement") with FlyOverture Equity Inc., operating as Silo Wellness ("Silo"), and 1261466 BC Ltd. ("Yukoterre Subco"), a wholly-owned subsidiary of the Company, which was incorporated on August 14, 2020. Completion of the transactions contemplated in the Amalgamation Agreement result in the reverse takeover ("RTO") of the Company by Silo. The transaction constitutes a "Fundamental Change" of the Company, as defined by the policies of Canadian Securities Exchange (the "CSE"). On February 26, 2021, the Company changed its name to Silo Wellness Inc. and the common shares commenced trading on March 5, 2021 under the new ticker symbol SILO.

Pursuant to the RTO, the Company indirectly acquired, through an amalgamation with Yukoterre Subco, all of the issued and outstanding securities of FlyOverture Equity Inc. in exchange for common shares of the Company (the "Resulting Issuer Shares") on a one-for-one basis. Immediately prior to the completion of the RTO, the Company completed a consolidation of all of its issued and outstanding common shares on the basis of two pre-consolidation common shares for one post-consolidation common share and disposed of its holdings of mining leases and claims in the Division Mountain Property to an arms-length third party.

The Company's head office is located at 65 Queen Street West, 9<sup>th</sup> floor, Toronto, Ontario, M5H 2M5, Canada.

### SILO WELLNESS INC.

#### *Description of the Business*

Silo was incorporated in 2018. The mission of Silo is to improve health and wellness by developing and introducing psychedelic medicine to reduce trauma and increase performance, by destigmatizing the active compounds in psychedelics and innovating

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ease of administration and ingestion. Silo intends to introduce new, safe, and affordable alternatives to current medicines by facilitating entry into new and emerging markets where psychedelics are legal, by conducting wellness retreats, including psilocybin retreats (psilocybin is a naturally occurring hallucinogen that is found in Psychedelic Mushrooms) in Jamaica and Ketamine-assisted wellness retreats in Oregon (Ketamine is a Schedule III controlled substance that is further described herein). Additionally, Silo intends, with a branding partner, to launch, sell and distribute a new brand of Functional Mushroom products that are free of psilocybin and other controlled substances adjacent to the existing Silo house brand of Functional Mushroom products.

Silo has earned very limited revenue to date, but instead has focused on the development of its three main platforms as follows:

### 1) Psilocybin-Free Functional Mushroom Tinctures

Silo has developed and launched an e-commerce online sales platform located at [www.SiloReboot.com](http://www.SiloReboot.com) for psilocybin-free Functional Mushroom extracts, which are sold in solvent concentrations known as tinctures. In connection with the preparation of this website, Silo has established a manufacturing partner based in California and is testing its supply chain, extraction, bottling, packaging, order fulfillment relationships and infrastructure for such psilocybin-free Functional Mushroom tinctures, and has progressed in establishing an inventory of psilocybin-free products to be sold online. Silo has utilized this platform for research purposes to establish the system for co-packing, marketing and distribution that will be launched with a new licensed brand utilizing the proceeds from the Private Placement. The launch of its Functional Mushroom tinctures has been conducted to initiate preliminary market entry, gather data and optimize its processes in anticipation of launching products, both under its own name and with its branding partner. On November 20, 2020, the parties executed a definitive License Agreement with Marley Green LLC effective through July 31, 2025 with automatic renewal if total net sales during initial term exceed USD \$15,000,000, and licensee is not otherwise in material breach. This infrastructure development has been accompanied by branding through viral social media coverage. As of August 2020, there were over 800,000 trackable organic social media reactions and shares of third party articles regarding Silo, generating considerable inbound links to [www.SiloWellness.com](http://www.SiloWellness.com). Silo intends to increase its sales and marketing activities following the Transaction and the implementation of its branding partnership. Silo entered into a License Agreement on November 20, 2020 with Marley Green LLC, an internationally known branding partner, a well-known cannabis and lifestyle brand with over 100 million social media followers (across all platforms). The License Agreement will provide recognizable branding for Silo's Functional Mushroom products as well as psilocybin micro-dosing products to be launched in the future. The License Agreement grants the use of the licensing partner's name and will establish a suite of brands adjacent to the Silo house brand of products. Silo intends to use US\$500,000 of proceeds from its private placement (see subsequent events) as a royalty advance. Additionally, 2,000,000 Silo Shares were issued upon execution of this letter of intent. The License Agreement is effective through July 31, 2025 with automatic renewal if total net sales during the initial term exceed USD \$15,000,000, and the licensee is not otherwise in material breach. The License Agreement permits the use of the name of the branding partner for products including psychedelic, medical or nutraceutical functional mushrooms in territories where such products are permitted by law. The License Agreement pays the branding partner royalties of 10% of net sales of licensed products, including guaranteed minimum royalties in the form of the GMR Payments during the term of the agreement. The agreement also has commitments by Silo for advertising, distribution and charitable payments.

### 2) Psilocybin-Based Nasal Spray

Silo has developed and finalized of the formulation of a psilocybin nasal spray in Jamaica, where such psychedelic compounds are legal. In addition, Silo has managed SW Holdings' IP related to this psilocybin nasal spray via the filing of provisional and non-provisional patent applications in the United States. Although psilocybin and other psychedelics substances are Schedule I controlled substances, there are no legal impediments to patent issuance for Schedule I controlled substances. The ability to patent inventions related to scheduled controlled substances was most evident in the cannabis industry that saw many issued patents following federal prohibition. For example, the United States federal government's own National Institute on Drug Abuse, the government agency responsible for studying and controlling drug abuse, was granted a patent in 2003 after their discovery that cannabinoids have some legitimate medical uses. See PCT/US99/08769 (Patent No. 6,630,507) (<https://bit.ly/USPO6630507>). An example of a metered-dosing patent in the cannabis space includes the now-expired 2003 issuance to Virginia Commonwealth University for  $\Delta$ 9-tetrahydrocannabinol ( $\Delta$ 9 THC) to be delivered by metered dose inhalers. See US09/273,766 (Patent No. 6,509,005B1) (<https://patents.google.com/patent/US6509005B1>).

### 3) Jamaican and Oregon Wellness Retreats and Jamaican Cultivation

In connection with the development the products outlined above, Silo has signed agreements to offer psilocybin retreats in Jamaica known as wellness retreats. These Jamaican retreats have been introduced through an online marketing platform found at

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www.SiloRetreats.com. Silo has an existing supply agreement and has also commenced cultivation, production and wholesale distribution in Jamaica of Psychedelic Mushrooms. Silo operates its Psychedelic Mushroom business solely in Jamaica. No psilocybin products or retreats are produced, sold or otherwise handled by Silo in the United States or any jurisdiction other than Jamaica. Additionally, Silo held its initial ketamine-assisted wellness retreat in Oregon under the care of Dr. Matthew Hicks, ND, MS from January 16 to 21, 2021. The Oregon ketamine-assisted wellness retreat establishes a United States base to meet the needs of those suffering from emotional, spiritual or psychological pain but unable to make a trip to Jamaica to experience psilocybin. The Oregon retreat was also marketed through www.SiloRetreats.com. In the United States, ketamine is a Schedule III controlled substance. Pursuant to 21 U.S. Code § 812(b)(3), Schedule III means the drug or substance has a low to moderate potential for physical and psychological dependence. Other examples of Schedule III substances include products containing less than 90 mg of codeine per dosage unit (e.g. Tylenol with Codeine), anabolic steroids, and testosterone. A Schedule III drug's abuse potential is less than Schedule I and Schedule II drugs but more than Schedule IV. To obtain ketamine, the prescribing physician must have an active Drug Enforcement Administration ("DEA") license. The sub anesthetic use of ketamine for certain mental health conditions is a permitted off-label use by a prescribing physician. The U.S. Food & Drug Administration (the "FDA") conducts a careful evaluation of the risks and benefits prior to approving a prescribed drug for so-called approved use. Unapproved uses of prescribed drugs are lawful and are often called "off label" use. This means that they can be legally used for a disease or medical condition that has not been approved by the FDA only if prescribed by a physician.<sup>1</sup> This is a very common practice as one in five prescriptions in the United States are for off-label use.

### OUTLOOK

The business objective of Silo is to develop leading brands in the legal Functional Mushroom supplement and psychedelic space, which includes intellectual property, e-commerce, and wellness retreats. Silo is developing operations focused on psilocybin and other psychedelics for mental health, wellness, and performance to position itself with psilocybin retreat infrastructure in Jamaica and a ketamine-assisted wellness retreat in Oregon.

Following the landmark passing of Oregon's Measure 109 authorizing the Oregon Health Authority to permit licensed service providers to administer psilocybin in therapeutic settings (after a two-year rule-making development period), Silo has positioned itself with a unique alternative to the brick-and-mortar ketamine clinic, similar to the psychedelic retreats it offers in Jamaica.

### SELECTED QUARTERLY INFORMATION

Three months ended	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
Funds (used in) operating activities	\$ (36,948)	\$ 44,153	\$ (6,882)	\$ (7,921)	\$ (68,201)	\$ (86,803)	\$ 1,319	\$ (17,850)
Loss and comprehensive loss for the period	79,815	129,641	458,308	32,055	44,383	169,499	7,947	20,496
Loss per share	0.01	0.01	0.04	0.00	0.00	0.02	0.00	0.00
Total assets	34,641	32,269	7,574	437,768	446,632	534,941	362,448	356,681
Shares outstanding at end of period	5,260,271	10,520,541	10,520,541	10,520,541	10,520,541	10,520,541	7,020,541	7,020,541

### REVIEW OF FINANCIAL RESULTS

#### Selected Financial Information

Three months ended	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020	Jan 31, 2020	Oct 31, 2019	July 31, 2019	April 30, 2019
Loss and comprehensive loss for the period	\$ 79,815	\$ 129,641	\$ 458,308	\$ 32,055	\$ 44,383	\$ 169,499	\$ 7,947	\$ 20,496
Loss per share	0.01	0.01	0.04	0.00	0.00	0.02	0.00	0.00
<b>General and administrative:</b>								
Consulting and management fees	52,034	22,792	14,250	18,864	30,866	10,769	600	6,600
Professional fees	7,500	14,651	11,000	1,255	3,000	70,291	2,355	2,500
General office expenses	19,899	92,001	8,351	11,936	10,517	10,194	4,992	11,396
	\$ 79,433	\$ 129,444	\$ 33,601	\$ 32,055	\$ 44,383	\$ 169,499	\$ 7,947	\$ 20,496

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### Expenses

For the period:	Three months ended January 31, 2021	Three months ended January 31, 2020
<b>Expenses</b>		
Consulting and management fees	\$ 52,034	\$ 30,866
Professional fees	7,500	3,000
General office expenses	19,899	10,517
<b>Total</b>	<b>\$ 79,433</b>	<b>\$ 44,383</b>

The Company recorded consulting and management fees of \$52,034 for the three months ended January 31, 2021 and \$30,866 for the three months and year ended January 31, 2020.

The Company recorded \$7,500 in professional fees for the three months ended January 31, 2021 for audit fees. For the three months ended January 31, 2020, the Company recorded \$3,000 in professional fees.

General office expenses of \$19,901 for the three months ended January 31, 2021 relate to office costs, filing fees and shareholder communications. The Company recorded general office expenses of \$10,517 for the three months ended January 31, 2020. The Company strives to minimize general and administrative type expenses.

### CASH FLOWS

Three months ended	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020	Jan 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
Cash flows (used in) operating activities	(36,948)	44,153	(6,882)	(7,921)	(68,201)	(86,803)	1,319	\$ (17,850)
Cash flows (used in) financing activities	50,000	11,500	-	-	-	209,534	4,800	9,500
Cash flows (used in) investing activities	-	-	-	-	-	(38,454)	(6,551)	-
Net change in cash	\$ 13,052	\$ 55,653	\$ (6,882)	\$ (7,921)	\$ (68,201)	\$ 84,277	\$ (432)	\$ (8,350)

Cash used in operating activities for the three months ended January 31, 2021 of \$36,948 resulted from the payment of accounts payable. Uses during the current period were primarily related to consulting and professional fees. Cash used for operating activities for the three months ended January 31, 2020 was \$68,201.

For the three months ended January 31, 2021, the Company received proceeds from loans payable of \$50,000. For the three months ended January 31, 2020, there were no financing activities.

### LIQUIDITY AND CAPITAL RESOURCES

The Company entered into various loan agreements with 2227929 Ontario Inc. in September and October 2020 for \$8,000 in unsecured loans to the Company. These loans were unsecured and had an interest rate of 12%. The Company shall repay the loans in full no later than 18 months from the issuance dates, and the Company may repay the loans at any time prior to the end of the term.

On August 13, 2020, the Company entered into a loan agreement with Forbes & Manhattan Inc. for \$3,500. The loan was unsecured and had an interest rate of 12%. The Company shall repay the loan in full no later than 18 months from the issuance date, and the Company may repay the loan at any time prior to the end of the term.

On September 9, 2020, the Company received a loan from FlyOverture Equity Inc. for \$50,000. The loan was unsecured and is due on demand.

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As at January 31, 2021, the Company had working capital deficit of \$293,882 and \$20,470 in cash compared to a working capital deficit of \$214,066 and cash of \$7,419 as at October 31, 2020. The Company's primary cash flow needs are for administrative expenses and working capital.

At present, the Company has no revenue generating assets or operations.

See section – Subsequent Events

### **COMMITMENTS AND CONTINGENCIES**

#### **Management contracts**

The Company is party to certain management contracts. These contracts required payments of \$190,800 as at January 31, 2021 (October 31, 2020 - \$190,800) to be made upon the occurrence of a change in control to the officers of the Company. The Company was also committed to payments upon termination of approximately \$131,700 (October 31, 2020 - \$131,700) pursuant to the terms of these contracts. During the year ended October 31, 2020, management signed settlement agreements whereby pursuant to the Proposed Transaction with FlyOverture Equity Inc. as disclosed in Note 1, the consultants would resign. As consideration for delivering their resignation, the Company issued to the management consultants 763,200 common shares of the Company in full and final satisfaction of the change in control provisions. See section – Subsequent Events.

#### **Contingencies**

Coal operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company's operations may require licenses and permits from various governmental authorities in the countries in which it operates. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions. Subsequent to January 31, 2021, the Company disposed of all of its exploration and evaluation properties.

#### **Environmental**

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. Subsequent to January 31, 2021, the Company disposed of all of its exploration and evaluation properties.

### **SHARE CAPITAL AND OFF-BALANCE SHEET ARRANGEMENTS**

As at the date of this report, there are 62,577,848 common shares, 4,592,500 options and 10,743,824 warrants outstanding.

Pursuant to an escrow agreement (the "Escrow Agreement") made as of June 26, 2019, among the Company, the Escrow Agent and certain Principals of the Company, the Principals agreed to deposit in escrow their 1,280,270 common shares (the "Escrowed Securities") with the Escrow Agent. The Escrow Agreement provides that 10% of the Escrowed Securities will be released from escrow upon the Listing Date and that, where there are no changes to the Common Shares initially deposited and no additional Escrow Securities, the remaining Escrowed Securities will be released in equal tranches of 15% every 6-month interval thereafter, over a period of 36 months. As at January 31, 2021, 1,280,270 (October 31, 2020 - 1,280,270) shares remain in escrow.

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There are no off-balance sheet financing arrangements.

### RELATED PARTY TRANSACTIONS

#### Key management personnel compensation

In addition to their contracted fees, directors and officers also participate in the Company's share option program. Certain executive officers are subject to termination notices of 24 months and change of control contingent provisions – see section Subsequent Events. Key management personnel compensation comprised:

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For the years ended:	January 31, 2021	January 31, 2020
Directors and officers' compensation	\$ 32,100	\$ 15,900
	\$ 32,100	\$ 15,900

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The Company entered into loan agreements with 2227929 Ontario Inc. 2227929 Ontario Inc. is a company wholly owned by Fred Leigh, who has been a director of the Company since January 14, 2019. In September and October 2020, 2227929 Ontario Inc. advanced loans of \$8,000. During the three months ended January 31, 2021, the Company incurred expenses for consulting, rent and promotion services in the amount of \$9,000 (three months ended January 31, 2020 – nil) from 2227929 Ontario Inc.

As at January 31, 2021, \$108,005 (October 31, 2020 - \$64,013) was owing to related parties and was included in trade payables and accrued liabilities, and are unsecured, non-interest bearing and due on demand.

### CHANGES IN ACCOUNTING POLICIES

The Company will monitor the development of the relevant IFRS and change its accounting policies accordingly.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results could differ from those estimates and these estimates could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

#### Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets and goodwill. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets.

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Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's assets, costs to sell the assets and the appropriate discount rate.

Reductions in coal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

### **Income, value added, withholding and other taxes**

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

### **Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, risk-free interest rates, volatility and dividend yield and making assumptions about them.

### **Contingencies and provisions**

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or un-asserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the financial statements.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Fair value**

The Company's financial instruments as at January 31, 2021, consisted of cash, amounts receivable, trade payables and accrued liabilities and loans payable and the amounts reflected in the statement of financial position approximate fair value due to the short-term maturity of these instruments (except loans payable) and the interest rate approximating market rate for the loans payable.

Financial instruments recorded at the reporting date at fair value are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 - quoted prices that are unadjusted in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset/liability either directly or indirectly; and

Level 3 - inputs for the instruments are not based on any observable market data.

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### Risk management overview

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables. Cash is held with a reputable Canadian financial institution, from which management has assessed an insignificant loss allowance is appropriate.

The carrying amount of amounts receivable represents the maximum credit exposure. As at January 31, 2021, the Company's total receivable was \$13,631 (October 31, 2020 – \$17,500) from the Government of Canada for Harmonized Sales Taxes (HST). There were no derivative instruments held at January 31, 2021 and October 31, 2020.

### Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

(i) Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for coal are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. Lower commodity prices can also reduce the Company's ability to raise capital. As the Company is not generating revenues, commodity price risk does not directly impact the Company's financial results.

(ii) Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

As at January 31, 2021 and October 31, 2020, the Company had the following asset denominated in foreign currency:

January 31, 2021	USD\$
Cash at bank	20
	20

  

October 31, 2020	USD\$
Cash at bank	20
	20

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of trade payables and accrued liabilities and loans payable. As at January 31, 2021, the Company had a cash balance of \$20,470 (October 31, 2020 - \$7,419) to settle current liabilities of \$266,446 (October 31, 2020 - \$246,335). Most of the Company's financial liabilities have maturities of less than 30 days and are subject to normal trade terms.

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The Company prepares annual capital expenditure budgets, which are monitored and updated as considered necessary. Financial modeling is used to provide economic outlooks and the Company utilizes authorizations for expenditures on projects to monitor capital expenditures.

Trade payables consists of invoices payable to trade suppliers for administration expenditures. The Company processes invoices within a normal payment period. Trade payables have contractual maturities of less than one year.

### Sensitivity analysis

The Company has, for accounting purposes, designated its cash and amounts receivable at amortized cost. Trade payables and accrued liabilities and loans payable are classified for accounting purposes at amortized cost. As of January 31, 2021, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the short term maturity of these instruments.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Financial instrument classification	Carrying amount		Fair value	
		January 31, 2021	October 31, 2020	January 31, 2021	October 31, 2020
Financial assets:					
Cash	Amortized cost	\$ 20,470	\$ 7,419	\$ 20,470	\$ 7,419
Amounts receivable	Amortized cost	13,631	17,500	13,631	17,500
Financial liabilities:					
Trade payables and accrued liabilities	Amortized cost	266,466	234,640	266,466	234,640
Loans payable	Amortized cost	62,077	11,695	62,077	11,695

The sensitivity analysis shown in the notes below may differ materially from actual results. Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

- (i) Cash is subject to floating interest rates. As at January 31, 2021, if interest rates had decreased/increased by 1% with all other variables held constant, there would not have been a material impact to the loss for the year ended January 31, 2021 given the low level of cash on hand throughout the year.
- (ii) Cash, accounts payable and provisions denominated in US dollars are subject to foreign currency risk. As at January 31, 2021, had the US dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, there would have been a change of approximately \$nil (October 31, 2020 - nil) in the Company's net loss.

### ADDITIONAL DISCLOSURES

#### Risks and uncertainties

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of coal properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

# **Silo Wellness Inc. (formerly Yukoterre Resources Inc.)**

## **Management Discussion and Analysis**

For the three months ended January 31, 2021 and 2020

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### **Substantial capital requirements**

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of mining reserves in the future. In addition, uncertain levels of near term industry activity coupled with the present uncertainty in global financial markets exposes the Company to additional financing risks. There can be no assurance that debt or equity financing, or funds generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

### **Regulatory**

Mining and exploration operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company's operations may require licenses and permits from various governmental authorities in the countries in which it operates. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

### **Litigation and arbitration**

All industries, including the mining industry, are subject to legal claims, with and without merit. Legal proceedings and arbitration may arise from time to time in the course of the Company's business. Such litigation may be brought against the Company or its subsidiary in the future from time to time or the Company or its subsidiary may be subject to another form of litigation. Defense and settlement costs of arbitration or legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and arbitration process, the process of defending such claims (or any other claims that may be brought against the Company), could take away from management time and effort and the resolution of any particular legal proceeding to which the Company or its subsidiary may become subject could have a material effect on the Company's financial position and results of operations.

### **Competition**

The mining industry is competitive in all its phases. The Company competes with numerous other organizations in the search for and the acquisition of other properties and in the marketing of coal. Our competitors include mining companies that have substantially greater financial resources, staff and facilities than Silo Wellness Inc. (formerly Yukoterre Resources Inc.). Our ability to acquire properties in the future will depend on our ability to select and acquire suitable properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of coal include price and methods, reliability of delivery and control over key operations infrastructure.

### **Conflicts of interest**

Certain of the directors and officers of the Company may serve from time to time as directors, officers, promoters and members of management of other companies involved in mining or natural resource exploration and development and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

# **Silo Wellness Inc. (formerly Yukoterre Resources Inc.)**

## **Management Discussion and Analysis**

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### **Exploration, development and production risks**

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Silo Wellness Inc. (formerly Yukoterre Resources Inc.) depends on its ability to find, appraise, develop and commercially produce resources and reserves, which will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire additional producing properties or prospects.

The Company may not be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Silo Wellness Inc. (formerly Yukoterre Resources Inc.) may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of coal will be discovered or acquired by the Company. Future exploration may involve unprofitable efforts from mines that are productive but do not produce sufficient coal to return a profit after drilling, operating and other costs. Completion of a mine does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a successful mine. These conditions include delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions.

#### **Novel Coronavirus (“COVID-19”)**

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

### **SUBSEQUENT EVENTS**

#### **REVERSE TAKE-OVER TRANSACTION**

Subsequent to January 31, 2021, the Company announced that it has successfully completed its reverse take-over transaction (the “RTO”) with FlyOverture Equity Inc. (“FlyOverture”). The common shares of the Company (the “Resulting Issuer Shares”) commenced trading under the new ticker symbol “SILO” on March 5, 2021. Pursuant to the RTO, the Company indirectly acquired, through an amalgamation with Yukoterre Subco, all of the issued and outstanding securities of FlyOverture in exchange for common shares of the Company on a one-for-one basis. Immediately prior to the completion of the RTO, the Company completed a consolidation of all of its issued and outstanding common shares on the basis of two pre-consolidation common shares for one post-consolidation common share and disposed of its holdings of mining leases and claims in the Division Mountain Property to an arms-length third party.

#### **PRIVATE PLACEMENT**

Immediately prior to the closing of the RTO, approximately \$2.5 million of gross proceeds from a previously announced brokered private placement financing (the “Sub Receipt Financing”) of subscription receipts (the “Subscription Receipts”) of FlyOverture were released to FlyOverture. Each Subscription Receipt automatically converted into one common share of FlyOverture (collectively, the “FlyOverture Shares”) and one-half of one common share purchase warrant of FlyOverture exercisable at a price of \$0.33 (collectively, the “FlyOverture Warrants”) for a period of 24 months from the date of the RTO. Subsequently, the FlyOverture Shares were exchanged for Resulting Issuer Shares and the FlyOverture Warrants were exchanged for common share purchase warrants of the Company (the “Resulting Issuer Warrants”) in each case on a one-for-one basis pursuant to the terms of the amalgamation agreement dated as of August 25, 2020, as amended, among Silo Wellness, FlyOverture and a wholly owned subsidiary of the Company. Additionally, the approximately \$2.5 million gross proceeds from the previously announced non-brokered private placement of units (the “Units”) of FlyOverture were released to FlyOverture pursuant to the closing of the RTO. Each Unit was comprised of one FlyOverture Share and one-half of one FlyOverture Warrant, and the FlyOverture Shares and the FlyOverture Warrants were exchanged for Resulting Issuer Shares and Resulting Issuer Warrants, in each case on a one-for-one basis pursuant to the terms of the Amalgamation Agreement.

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### CHANGE OF CONTROL PROVISIONS

Subsequent to January 31, 2021, the Company issued 763,200 common shares of the Company to officers of the Company in full and final satisfaction of the change in control provisions.

### STOCK OPTIONS

Subsequent to January 31, 2021, the Company granted 4,000,000 stock options to certain directors, officers and consultants. The stock options vest immediately and may be exercised at a price of \$0.25 per common share for a period of five years from the date of issue.

### FORWARD-LOOKING STATEMENTS

*This MD&A contains forward-looking statements. Management's assessment of future plans and operations, capital expenditures, methods of financing capital expenditures and the ability to fund financial liabilities, expected commodity prices and the impact on Silo Wellness Inc. (formerly Yukoterre Resources Inc.), future operating costs, future transportation costs, results of arbitration or litigation proceedings; expected change in interest rates may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation to, statements with respect to the Company's development potential and program; the Company's ability to raise required capital, the future price of coal; the impact of changes in management; the estimation of coal reserves; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; currency exchange rates; potential and stability of foreign jurisdictions; government relations and regulation; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: unexpected events and delays during exploration, development and construction; revocation of government approvals and contracts; timing and availability of external financing on acceptable terms; actual results of exploration activities; changes in project parameters as plans continue to be refined; future prices of coal; failure of plant, equipment or processes to operate as anticipated; litigation or arbitration proceedings; accidents, labour disputes; risks inherent in foreign operations and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*