



**SILO WELLNESS INC.**  
**(FORMERLY YUKOTERRE RESOURCES INC.)**  
**CONDESED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and six months ended April 30, 2021 and 2020**

(Expressed in U.S. Dollars)

**(Unaudited)**

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

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**SILO WELLNESS INC.**  
**(FORMERLY YUKOTERRE RESOURCES INC.)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in U.S. dollars)**  
**(Unaudited)**

As at:	Notes	April 30, 2021	October 31, 2020
		\$	\$
<b>ASSETS</b>			
Current			
Cash		1,215,511	117,876
Other receivables and prepaid expenses		562,363	134,879
Inventories		7,844	7,434
<b>Total current assets</b>		<b>1,785,718</b>	<b>260,189</b>
Non-current			
Intangible assets	7	-	54,520
<b>Total assets</b>		<b>1,785,718</b>	<b>314,709</b>
<b>LIABILITIES</b>			
Current			
Accounts payables and accrued liabilities		259,394	118,424
Due to related parties	12	-	131,288
Loans payable	8	31,655	100,616
<b>Total current liabilities</b>		<b>291,049</b>	<b>350,328</b>
<b>EQUITY</b>			
Share capital	9	6,227,960	2,747,434
Warrants	10	1,086,787	-
Contributed surplus	11	671,793	-
Accumulated other comprehensive gain		4,951	-
Deficit		(6,496,822)	(2,783,053)
<b>Shareholders equity</b>		<b>1,494,669</b>	<b>(35,619)</b>
<b>Total liabilities and equity</b>		<b>1,785,718</b>	<b>314,709</b>

Going concern (Note 1)  
Commitments and contingencies (Note 13)  
Subsequent events (Note 16)

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

Approved on behalf of the board:

“Mo Yang”

“Michael Arnold”

Director

Director

**SILO WELLNESS INC.**  
**(FORMERLY YUKOTERRE RESOURCES INC.)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS**  
**AND COMPREHENSIVE LOSS**  
**(Expressed in U.S. dollars, except per share amounts)**  
**(Unaudited)**

	Notes	Three months ended April 30, 2021	Three months ended April 30, 2020	Six months ended April 30, 2021	Six months ended April 30, 2020
		\$	\$	\$	\$
<b>Sales</b>		<b>30,369</b>	-	<b>49,387</b>	-
<b>Cost of goods sold</b>		<b>(91,546)</b>	-	<b>(106,720)</b>	-
		<b>(61,177)</b>	-	<b>(57,333)</b>	-
<b>Expenses</b>					
Advertising and promotion		420,244	-	420,244	-
Consulting fees	12	184,116	58,355	188,567	116,711
Directors and management fees		243,654	79,793	326,664	205,155
Professional fees		418,382	6,035	455,538	24,143
General and administrative expenses		308,488	19,865	359,258	63,652
Stock based compensation	11	609,113	-	609,113	-
Business development fee		-	-	45,455	-
Amortization	7	-	80,439	54,520	162,665
Interest expense and bank charges		57,082	615	58,514	1,230
Foreign exchange (gain)		(36,116)	-	(35,640)	-
Loss before transaction costs		2,204,963	245,102	2,482,233	573,556
RTO listing expense	5	1,174,203	-	1,174,203	-
Loss and for the period		3,440,343	245,102	3,713,769	573,556
Other comprehensive loss:					
<i>Items that subsequently may be reclassified into net income:</i>					
Foreign currency translation		(4,951)	-	(4,951)	-
Total comprehensive loss for the period		3,435,392	245,102	3,708,818	573,556
Basic and diluted loss per share		\$ 0.06	\$ 0.02	\$ 0.08	\$ 0.04
Weighted average number of common shares outstanding - basic and diluted		53,691,559	15,689,120	44,224,795	15,035,465

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**SILO WELLNESS INC.**  
**(FORMERLY YUKOTERRE RESOURCES INC.)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Expressed in U.S. dollars, except share amounts)**  
**(Unaudited)**

	Notes	Class A shares		Class B shares		Warrants	Contributed Surplus	Accumulated Deficit	Accumulated other comprehensive gain	Equity
		#	\$	#	\$					
Balance, October 31, 2020		35,066,730	2,747,434	-	-	-	-	(2,783,053)	-	(35,619)
Private placements	9(ii)	19,819,328	2,813,838	-	-	1,085,915	-	-	-	3,899,753
Share Issue cost	9(ii)	-	(233,742)	-	-	(88,467)	-	-	-	(322,209)
Broker's units	9(ii)	492,000	70,398	-	-	26,645	-	-	-	97,043
Compensation units	9(ii)	-	-	-	-	93,576	-	-	-	93,576
Issue costs	9(ii)	-	(138,281)	-	-	(52,338)	-	-	-	(190,619)
Private placement	9(i)	389,120	54,544	-	-	21,456	-	-	-	76,000
Change of control settlements	9(iii)	763,200	108,503	-	-	-	-	-	-	108,503
Issuance of shares to Yukoterre on reverse takeover	9(iv)	5,260,271	747,847	-	-	-	63,957	-	-	811,804
Shares for debt	9(v)	301,856	57,419	-	-	-	-	-	-	57,419
Stock based compensation	11	-	-	-	-	-	607,836	-	-	607,836
Loss and comprehensive loss for the period		-	-	-	-	-	-	(3,713,769)	4,951	(3,708,818)
<b>Balance, April 30, 2021</b>		<b>62,092,505</b>	<b>6,227,960</b>	<b>-</b>	<b>-</b>	<b>1,086,787</b>	<b>671,793</b>	<b>(6,496,822)</b>	<b>4,951</b>	<b>1,494,669</b>
Balance, October 31, 2019		13,365,141	2,167,361	250,000	5,000	-	-	(1,497,389)	-	674,972
Exchange Class B shares for Class A shares		500,000	5,000	(250,000)	(5,000)	-	-	-	-	-
Issuance of Class A shares		1,050,000	105,000	-	-	-	-	-	-	105,000
Issuance of Class A shares for services	9(vi)	542,106	54,211	-	-	-	-	-	-	54,211
Issuance of Class A shares to settle amounts payable	9(vii)	1,184,486	84,224	-	-	-	-	-	-	84,224
Loss and comprehensive loss for the period		-	-	-	-	-	-	(573,556)	-	(573,556)
<b>Balance, April 30, 2020</b>		<b>16,641,733</b>	<b>2,415,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,070,945)</b>	<b>-</b>	<b>344,851</b>

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

**SILO WELLNESS INC.**  
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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in U.S. dollars)**  
**(Unaudited)**

	Notes	Six months ended April 30, 2021	Six months ended April 30, 2020
CASH (USED IN) PROVIDED BY:		\$	\$
OPERATING ACTIVITIES			
Net loss for the period		<b>(3,713,769)</b>	(573,556)
Items not involving cash:			
Share-based compensation	11	<b>609,113</b>	54,211
Interest expense		-	1,230
Transaction costs	5	<b>1,191,554</b>	-
Amortization of intangible asset	7	<b>54,520</b>	162,665
		<b>(1,858,582)</b>	(355,450)
Net changes in non-cash working capital:			
Change in other receivables and prepaid expenses		<b>(412,481)</b>	228,063
Change in inventories		<b>(410)</b>	-
Change in accounts payable and accrued liabilities		<b>15,565</b>	20,965
<b>Net cash flows (used in) operating activities</b>		<b>(2,255,908)</b>	(106,422)
FINANCING ACTIVITIES			
Private placement	9	<b>3,975,753</b>	105,000
Share issue costs	9	<b>(322,209)</b>	-
Loan repayments	8	<b>(302,593)</b>	-
Cash acquired on reverse takeover	5	<b>17,350</b>	-
<b>Net cash flows provided by financing activities</b>		<b>3,350,951</b>	105,000
Effect of exchange rate change		<b>2,592</b>	-
<b>CHANGE IN CASH DURING THE PERIOD</b>		<b>1,097,635</b>	(1,422)
<b>CASH, beginning of the period</b>		<b>117,876</b>	2,192
<b>CASH, end of the period</b>		<b>1,215,511</b>	770
<b>SUPPLEMENTAL INFORMATION:</b>			
Shares issued to settle loan payable		-	69,242
Shares issued as settlement of accounts payable	9	<b>57,419</b>	14,982

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**SILO WELLNESS INC.**  
**(FORMERLY YUKOTERRE RESOURCES INC.)**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended April 30, 2021 and 2020**  
**(In United States Dollars, except share and per share amounts, unless otherwise noted)**

**1. Description of business and nature and continuance of operations**

Silo Wellness Inc. (formerly Yukoterre Resources Inc. (“Yukoterre”)) (the “Company”) was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation, dated February 8, 2017, and on February 26, 2021 was renamed Silo Wellness 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 completed its amalgamation agreement (the “Amalgamation Agreement”) with Silo Psychedelics Inc. (formerly FlyOverture Equity Inc.) operating as Silo Wellness (“Silo Psychedelics”), 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 Psychedelics. 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 its wholly owned subsidiary, all of the issued and outstanding securities of Silo Psychedelics 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 198 Davenport Avenue, Toronto, Ontario, M5R 1J2, Canada.

The Company offers a diverse and growing portfolio of functional mushroom products, psychedelic wellness retreats in Jamaica and Oregon, cultivation of psychedelic mushrooms and truffles in Jamaica, development of a bricks and mortar smart shop in Jamaica, and intellectual property, focused initially on the commercialization of its metered-dosing psilocybin nasal spray. As at April 30, 2021 and October 31, 2020, the Company had only one reportable operating segment.

**Going concern**

These condensed interim consolidated financial statements have been prepared on the basis of accounting applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the the three and six months ended April 30, 2021, the Company funded its working capital requirements and its capital and operating expenditures through proceeds from debt and share issuances. There is no guarantee or assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties cast significant doubt as to the Company’s ability to continue as a going concern. As at April 30, 2021, the condensed interim consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities or the reported expenses and condensed interim consolidated statement of financial position classifications that would be necessary should the going concern assumption be inappropriate. Such adjustments could be material.

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**1. Description of business and nature and continuance of operations (continued)**

**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.

**2. Basis of presentation**

**Statement of compliance**

The accompanying condensed interim financial statements have been prepared by management in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting and do not include all the disclosures required in full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the Company’s financial statements for the year ended October 31, 2020.

**Basis of measurement**

These condensed interim consolidated financial statements are presented using, and have been prepared on, a going concern basis under the historical cost convention except for certain financial instruments that are measured at fair value. These condensed interim consolidated financial statements are presented on the accrual basis except for the consolidated statement of cash flows.

**Functional and presentation currency**

These condensed interim consolidated financial statements are presented in United States Dollars (“USD”), which is the presentation currency of the Company.

**Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Silo Psychedelics Inc, which was incorporated under the Business Corporations Act (British Columbia). and SW Holdings, Inc., which was incorporated in the State of Oregon, the United States. These condensed interim consolidated financial statements are presented in United States dollars unless otherwise noted. The functional currency of Silo Wellness Inc. is the Canadian dollar and the functional currency of Silo Psychedelics Inc. and SW Holdings, Inc. is the United States dollar.

The Board of Directors approved these condensed interim consolidated financial statements on June 29, 2021. The significant accounting policies applied by the Company are described in note 3 herein.



**SILO WELLNESS INC.**  
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**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended April 30, 2021 and 2020**  
**(In United States Dollars, except share and per share amounts, unless otherwise noted)**

**3. Significant accounting policies**

The Company's accounting policies set out below are in accordance with IFRS and have been applied consistently throughout the period presented in these condensed interim consolidated financial statements, unless otherwise stated.

**Foreign exchange translation**

Transactions in foreign currencies are translated into the functional currency using exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates and revenue and expenses are translated at the average exchange rates prevailing during the month of the transaction. Exchange gains and losses arise on the settlement of foreign-currency denominated transactions which are recognized in net income (loss). The effect of currency translation adjustments on cash and cash equivalents is presented separately in the consolidated statement of cash flows and separated from investing and financing activities when deemed significant.

**Cash**

Cash in the condensed interim consolidated statements of financial position includes funds held with financial institutions which is subject to an insignificant risk of changes in value.

**Share capital**

Share capital is presented at the value of the shares issued. Costs related to the issuance of shares are reported in equity, net of tax, as a deduction from the issuance proceeds.

**Net loss per share**

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted loss per share calculation excludes any potential conversion of options and warrants that would be anti-dilutive.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively. If these changes occur after the reporting period but before the consolidated financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented are based on the new number of shares.

**Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For options that expire unexercised, the recorded value is transferred to deficit.

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**3. Significant accounting policies (continued)**

**Income taxes**

Income tax expense or recovery is comprised of current and deferred tax.

Current tax is computed on the basis of taxable income, using tax rates enacted or substantively enacted at the end of the reporting period.

The Company accounts for its income taxes using the liability method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in profit or loss. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable profit for the years in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period. Deferred income tax assets and liabilities are not discounted.

**Intangible assets**

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in an asset acquisition are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, and are tested for impairment if there is an indication of impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each reporting period, and any changes in estimates are accounted for prospectively.

The contract is recorded as an intangible asset and is amortized on a straight-line basis over its contractual term, a period of approximately 1.3 years from the date of acquisition.

**Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed for impairment as at the consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount in which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

**Provisions and contingencies**

A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources that can be reliably estimated. The amount of the provision recorded, if any, is management's best estimate of the outflow of resources required to settle the obligation. Where a potential obligation resulting from past events exists, but occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed as contingencies.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. Significant accounting policies (continued)**

**Fair value measurements**

The Company measures fair value in accordance with IFRS 13, Fair Value Measurement, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements.

All financial instruments recognized at fair value in the consolidated statement of financial position are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 — valuation techniques with significant unobservable market inputs.

The Company has no financial instruments which are subsequently measured at fair value. The carrying value of the Company's cash, other receivables, accounts payable and accrued liabilities, and due to related parties approximates the fair value due to the short term to maturity.

**Financial instruments**

*Initial recognition and measurement*

The Company aggregates its financial assets in accordance with IFRS 9, Financial Instruments, into classes at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows. Non-derivative financial assets are classified and measured as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost, as appropriate. In these consolidated financial statements, cash, other receivables are measured at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include accounts payable and accrued liabilities, loans payable and due to related parties which are measured at amortized cost. All financial liabilities are recognized initially at fair value.

All financial instrument are recognized initially at fair value adjusted for, in the case of financial instruments not at FVTPL, directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument.

*Subsequent measurement – Financial instruments at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the effective interest rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

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**3. Significant accounting policies (continued)**

**Impairment of financial assets at amortized cost**

Financial assets classified subsequently as amortized cost are subject to impairment based on the expected credit losses “ECL’s”.

Critical to the determination of ECL’s is the definition of default and the definition of a significant increase in credit risk. The definition of default is used in measuring the amount of ECL’s and in the determination of whether the loss allowance is based on a 12-month or lifetime ECL’s. The Company considers the following as constituting an event of default: the borrower is past due more than 90 days on any material credit obligation, or the borrower is unlikely to pay its credit obligations to the Company in full. The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition.

If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL’s. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date based on the remaining maturity of the instrument with risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial asset was first recognized.

**Asset acquisition**

The Company accounts for asset acquisitions based on allocating the fair value of consideration paid to the assets acquired. For asset acquisitions achieved in stages, the Company measures its previously held interest at its carrying amount and does not revalue to fair value.

**Inventory**

Inventory of tincture is measured at the lower of cost and net realizable value. Costs are determined on a weighted average method. Net realizable value is the estimate selling price less necessary cost to sell.

**Revenue recognition**

The Company has established a five step model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The core principles of the revenue recognition policy are to identify the contract with the customer, identify the performance obligation, determine the transaction price, allocate the transaction price and recognize revenue when the entity satisfies the performance obligation. The transaction price is allocated to each separate performance obligation in proportion to the stand-alone selling price. In addition, variable consideration are only recognized to the extent that is highly probable that a significant reversal in the amount of the cumulative revenue recognized will not occur.

Revenue consists of sale of tinctures and services. Revenue is recognized upon delivery of the products after receiving orders from customers which is when change of control occurs and also represents the completion of the performance obligation.

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**4. Significant accounting judgments and estimates**

The preparation of these condensed interim consolidated financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net loss, and the related disclosure of contingent assets and liabilities, if any. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net loss that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates under different assumptions or conditions. Set out below are the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of these consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

*Consolidation*

The Company uses judgment in determining the entities that it controls and accordingly consolidates. An entity is controlled when the Company has power over an entity, exposure or rights of variable returns from its involvement with the entity, and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without giving it power over the entity.

*Asset acquisition*

The determination of whether a transaction meets the definition of a business combination under IFRS 3 or constitutes an asset acquisition requires significant judgment.

*Expected credit losses on financial assets*

Determining an allowance for ECLs for all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

*Determination of CGUs*

Management is required to use judgment in determining which assets or group of assets make up appropriate CGUs, for the level at which goodwill and intangible assets are tested for impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgment in identifying which assets or groups of assets form CGUs of the Company.

*Functional currency*

Determining the appropriate functional currency requires analysis of various factors, including the currencies and country-specific factors that influence the costs of providing goods or services.

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**4. Significant accounting judgments and estimates (continued)**

*Useful lives and impairment of intangible assets*

Amortization of intangible assets is dependent upon management's estimate of the assets' useful lives, which requires judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of these assets.

*Provisions and contingencies*

The assessment of the existence and potential impact of contingencies and provisions inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

*Income and other taxes*

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

*COVID-19*

In March 2019, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Canada and U.S. The spread of COVID-19 has caused significant volatility in Canadian, U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Canadian, U.S. and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations.

*Share-based payments*

The determination of the value of share-based payments requires the Company to make estimates and assumptions on the value of the services received, or the value of the equity instruments on the granting date.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statement of financial position, a charge or credit to income tax expense included as part of net income (loss) and may result in cash payments or receipts. Judgment includes consideration of the Company's future cash requirements in its tax jurisdictions.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

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**5. Reverse takeover of Yukoterre**

On March 1, 2021, the Company entered into a definitive agreement with FlyOverture Equity Inc. to combine FlyOverture Equity Inc. and Yukoterre via the amalgamation of a wholly-owned subsidiary of Yukoterre (“Yukoterre Subco”) and FlyOverture Equity Inc. which constituted a reverse takeover of Yukoterre. The resulting company (the “Resulting Issuer”) continues to operate as Silo Wellness, and trades publicly on the Exchange under the symbol “SILO”.

The agreement setting out the terms of the transaction, included the following:

- (i) Prior to the transaction, Yukoterre consolidated its share capital on a 2-to-1 basis (the “Consolidation”). The total number of Yukoterre shares outstanding is 10,521,542 Pre-Consolidation. Post-Consolidation, total number of Yukoterre shares was 5,260,271;
- (ii) All outstanding stock options of Yukoterre were exchanged for stock options of the Resulting Issuer;

In conjunction with the RTO transaction, on March 1, 2021, FlyOverture Equity Inc. completed a financing of CAD\$4,954,832 (\$3,899,753), by issuing 19,819,328 units of FlyOverture Equity Inc. at \$0.25 per unit. FlyOverture Equity Inc. paid issuance costs of \$322,209, issued 492,000 broker units and issued 787,200 compensation units.

Pursuant to the closing of the RTO:

- (i) Yukoterre issued 55,767,178 Post-Consolidation common shares of the Resulting Issuer to FlyOverture Equity Inc. shareholders exchanged on a one (1) for one (1) basis; (ii) Yukoterre further issued 10,155,664 warrants, 393,600 Broker warrants in the capital of the Resulting Issuer to holders of warrants and compensation options of FlyOverture Equity Inc. on a one (1) for one (1) basis with economically equivalent terms.

On closing of the RTO, the shareholders of FlyOverture Equity Inc. held 55,767,178 (or 91%) of the common shares of the Resulting Issuer, while shareholders of Yukoterre held 5,260,271 (or 9%) of the common shares of the Resulting Issuer. Since Yukoterre did not meet the definition of a business under IFRS 3 – Business Combinations (“IFRS 3”), the acquisition was accounted for as the purchase of Yukoterre’s assets by the Company. The consideration paid was determined as equity-settled share-based payment under IFRS 2, at the fair value of the equity of FlyOverture Equity Inc. retained by the shareholders of Yukoterre based on the fair value of the FlyOverture Equity Inc. common shares on the date of closing of the RTO, which was determined to be \$0.18 per share based on the most recent equity raise on March 1, 2021.

The Company recorded a listing expense of \$1,174,203 in the condensed interim consolidated statement of loss and comprehensive loss. The details of the listing expense are as follows:

	\$
<hr/>	
Fair value of consideration paid:	
5,260,271 common shares of Yukoterre at \$0.18 per share	747,847
550,000 stock options of Yukoterre	63,957
Fair value of net liabilities of Yukoterre acquired by FlyOverture Equity Inc.	252,814
	<hr/> 1,064,618
Other transaction costs:	
Change of control settlements	109,585
RTO listing expense	<hr/> 1,174,203

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**5. Reverse takeover of Yukoterre (continued)**

The net liabilities of Yukoterre were included at their carrying value of \$252,814 which approximates their fair value as follows:

	\$
Cash	17,350
Other receivables and prepaid expenses	15,003
Accounts payable and accrued liabilities	(188,748)
Loans payable	(96,420)
Fair value of net liabilities acquired	(252,814)

**6. Asset acquisition**

*Acquisition of SW Holdings, Inc. (the "Acquisition")*

SW Holdings Inc. is a company which holds a consulting contract with a psychedelic intellectual property startup company. Prior to the Acquisition, the Silo Psychedlics purchased 15.55% of the common shares of SW for \$29,000 in cash. On September 15, 2019, the Company entered into a share exchange agreement with SW and its former shareholder, to acquire the remaining 84.45% of the common shares of SW, by issuing 1,968,750 Class A shares of the Company valued at \$393,750. The fair value of the consideration was estimated based on a recent financing.

Carrying amount of previously held interest	\$ 29,000
Issuance of shares	393,750
<b>Total consideration</b>	<b>\$ 422,750</b>

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

Contract acquired	\$ 422,750
<b>Total consideration</b>	<b>\$ 422,750</b>

**7. Intangible asset**

The contract acquired is with a psychedelic intellectual property startup company domiciled in the United States, engaged to develop intellectual property and products on behalf of the Company. All products developed under the contract become sole and exclusive property of the Company, without any additional compensation. The term of the contract is through December 31, 2020, and may be renewed by the parties by mutual agreement.

<b>Cost</b>	<b>Contract</b>
November 20, 2018 (incorporation)	\$ —
Asset acquisition (Note 6)	422,750
<b>Balance, April 30, 2021 and October 31, 2020</b>	<b>\$ 422,750</b>

<b>Accumulated Amortization and Impairment Losses</b>	<b>Contract</b>
<b>Balance, October 31, 2019</b>	<b>\$ 41,113</b>
Amortization	327,117
<b>Balance, October 31, 2020</b>	<b>368,230</b>
Amortization	54,520
<b>Balance, April 30, 2021</b>	<b>422,750</b>
<b>Carrying value at October 31, 2020</b>	<b>\$ 54,520</b>
<b>Carrying value at April 30, 2021</b>	<b>-</b>



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**8. Loans payable**

On October 28, 2020 the Company entered into an unsecured, non-revolving credit facility agreement with Jury Land & Energy, LLC, that was subsequently amended on January 28, 2021. The facility had a maximum of \$250,000 which was increased to \$300,000 upon amendment. \$125,000 was drawn on October 28, 2020, \$75,000 on November 20, 2020, and \$100,000 on January 28, 2021. The loan is unsecured, bears interest at an annual rate of 12%, with interest and principal due the earlier of February 15, 2021 or the closing of a private placement by the Company of up to 10,000,000 common shares at a price of CAD\$0.25 per share for aggregate cash proceeds of up to CAD\$2,500,000. An initial fee of \$25,000 was deducted from the first \$125,000 withdrawal, and the \$10,000 extension and amendment fee was deducted from the third \$100,000 withdrawal. The Company accounted for the loan using the amortized cost method with an effective annual interest rate of 155% and recorded \$616 in interest expense for the year ended October 31, 2020. On March 1, 2021, the Company repaid the full loan principal and accrued interest of \$308,638.

The Company entered into various loan agreements with 2227929 Ontario Inc. in September 2020, October 2020 and February 2021 for CAD\$68,000 (\$53,708) 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 March 2, 2021, the Company repaid CAD\$34,429 (\$27,193) of the amount owing.

On August 13, 2020, the Company entered into a loan agreement with Forbes & Manhattan Inc. for CAD\$3,500 (\$2,764). 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.

**9. Shareholders' equity**

*Authorized*

Unlimited number of common shares, without par value

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. The principal effects of the consolidation is that the number of shares of the Company issued and outstanding was consolidated from 10,520,541 existing common shares prior to consolidation to 5,260,270 new common shares after consolidation. The consolidation of common shares, options and related share amounts have been reflected retrospectively in these financial statements.

i) Private placement

During the period ended April 30, 2021, the Company issued 389,120 units at a price of CAD \$0.25 (\$0.20) per unit for gross proceeds of CAD\$97,280 (\$76,000). Each unit consists of one common share and one-half of one common share purchase warrant in the capital of the Company. Each warrant is exercisable to acquire one common share of the Company at a price of CAD \$0.33 (\$0.27) for a period of 24 months.

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**9. Shareholders' equity (continued)**

ii) Brokered Private placement

On March 1, 2021, upon completion of the RTO transaction, the Company completed a brokered private placement of 19,819,328 units of the Company for gross proceeds of CAD\$4,954,832 (\$3,899,753), which consisted of one common share of the Company and one half of one common share purchase warrant in the capital of the Company. Each warrant shall be exercisable to acquire one common share of the Company at a price of CAD\$0.33 (\$0.27) for a period of 24 months. In connection with the closing, the Company has paid unit issuance costs of CAD\$408,395 (\$322,209) in cash, which has been allocated \$233,742 to share capital and \$88,467 to warrants and issued 492,000 brokers' units at a fair value of \$97,043 which has been allocated \$70,398 to share capital and \$26,645 to warrants and issued 787,200 compensation units at a fair value of \$93,576, which has been allocated \$67,883 to share capital and \$25,693 to warrants. The brokers' units consist of a common share and one half of one common share purchase warrant in the capital of the Company. Each warrant shall be exercisable to acquire one common share of the Company at a price of CAD\$0.33 (\$0.27) for a period of 24 months. The compensation units shall be exercisable to acquire one unit of the Company at a price of CAD\$0.25 (\$0.20) for a period of 24 months, which consists of one common share of the Company and one half of one common share purchase warrant in the capital of the Company. Each warrant shall be exercisable to acquire one common share of the Company at a price of CAD\$0.33 (\$0.27) for a period of 24 months.

iii) Change of control settlements

On March 1, 2021, the Company issued 763,200 common shares of the Company, valued at CAD\$137,376 (\$108,503) based on the current stock price per the concurrent brokered private placement closed on March 1, 2021, to former officers of Yukoterre in settlement of their change of control provisions per their consulting agreements.

iv) Shares issued on reverse takeover

On March 1, 2021, as part of the RTO transaction, the Company issued 5,260,271 common shares to the shareholders of Yukoterre at a price of CAD\$0.18 (0.14) per share.

v) Shares for debt

On April 7, 2021, the Company issued 301,856 common shares of the Company, valued at CAD\$72,445 (\$57,419) based on the current stock price of the Company, in settlement of debt to a non-arms length vendor.

vi) During the year ended October 31, 2020, there were two private placements. In one private placement financing, 1,050,000 Class A shares were issued at \$0.10 per share for gross proceeds of \$105,000. In another private placement financing, 17,149,997 Class A common shares were issued at a price of CAD\$0.03 (USD\$0.02) per share for gross proceeds of CAD\$514,500 (USD\$379,912).

vii) Issuance of Class A shares for Services

The Company had various consulting and service agreements as at October 31, 2020. These consultants were remunerated through the issuance of Class A shares, based on the value of the services agreed upon by the consultants, directors and management of the Company. During the year ended October 31, 2020, the Company issued 817,106 Class A shares with an estimated value of \$60,482. In addition, the Company issued 2,000,000 common shares with an estimated value of \$45,455 as a prepayment in relation to a licensing contract. A summary of shares for services by category issued in 2020 is as follows:

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**9. Shareholders' equity (continued)**

Fees	Operating Expenses	Prepaid Expenses	Estimated value of shares	Estimated value of shares to related parties (note 12)
Directors' fees	\$ 208,711-	\$ -	\$ 208,711	\$ 208,711
Consulting fees	133,333	-	133,333	33,333
Business development fees	-	45,455	45,455	-
Management fees	43,771	-	43,771	-
<b>Total fees</b>	<b>\$385,815</b>	<b>\$ 45,455</b>	<b>\$ 431,270</b>	<b>\$ 242,044</b>

Of the \$385,815 share based expenses in the year ended October 31, 2020, \$325,333 were shares issued in 2019 that were recorded in the year ended October 31, 2019 as prepaid expenses and expensed in the year ended October 31, 2020, and \$60,482 were shares issued and expensed in the year ended October 31, 2020.

viii) Issuance of Class A shares to settle accounts payable

In the year ended October 31, 2020, a director and an officer of the Company incurred expenses on behalf of the Company. The Company settled these accounts payable through the issuance of 299,640 Class A shares in the amount of \$14,982. The settlement was recorded in share capital at the carrying amount of the accounts payable.

**10. Warrants**

On March 1, 2021, there were 11,137,424 warrants issued pursuant to the brokered private placements (Note 9(i) and (ii)). The issue date fair value of the warrants was estimated at \$1,227,592 using the Black Scholes option pricing model with the following weighted average assumptions: current stock price of CAD\$0.20; expected dividend yield of 0%; expected volatility of 183.4%; risk-free interest rate of 1.89% and an expected life of 2 years.

	Number of warrants	Weighted average exercise price (CAD)
<b>Balance, October 31, 2020</b>	-	\$ -
Granted	11,137,424	0.33
<b>Balance, April 30, 2021</b>	<b>11,137,424</b>	<b>\$ 0.33</b>

The following table shows all warrants outstanding as at April 30, 2021:

	Date of expiry	Warrants outstanding	Exercise price (in CAD)	Grant date fair value	Remaining life in years
				\$	
Warrants	March 1, 2023	10,104,224	\$ 0.33	1,107,371	1.84
Broker warrants	March 1, 2023	246,000	\$ 0.33	26,645	1.84
Compensation units	March 1, 2023	787,200	\$ 0.25	93,576	1.84
Warrant issue costs				(140,805)	
		<b>11,137,424</b>	<b>\$ 0.33</b>	<b>\$ 1,086,787</b>	<b>1.84</b>

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**11. Options**

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. The consolidation of options has been reflected retrospectively in these financial statements.

The Company has a stock option plan whereby it may grant options for the purchase of common shares to any director, officer or consultant of the Company. The aggregate number of shares that may be issuable pursuant to options granted under the Company's stock option plan will not exceed 10% of the issued common shares of the Company (the "Shares") at the date of grant. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options will be determined by the board at the time of grant, but in the event that the Shares are traded on the Canadian Security Exchange or any other stock exchange (the "Exchange"), may not be less than the closing price of the Shares on the Exchange on the trading date immediately preceding the date of grant, subject to all applicable regulatory requirements.

Information relating to share options outstanding as at April 30, 2021 is as follows:

	Number of Options	Weighted average exercise price
Balance, October 31, 2020	-	\$ -
Granted	4,700,000	CAD\$0.24
<b>Balance, April 30, 2021</b>	<b>4,700,000</b>	<b>CAD\$0.24</b>

Date of expiry	Options outstanding	Options exercisable	Exercise price CAD	Grant date fair value vested	Remaining life in years
September 24, 2021	122,500	122,500	\$0.20	\$ 8,440	0.40
September 25, 2024	427,500	427,500	\$0.20	\$ 55,517	3.41
March 23, 2026	3,950,000	3,950,000	\$0.25	\$ 583,810	4.90
April 20, 2026	200,000	200,000	\$0.25	\$ 24,026	4.98
	4,700,000	4,700,000		\$ 671,793	3.42

The fair value of stock options issued during the period ended April 30, 2021 was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results:

Risk-free annual interest rate	0.90%
Current stock price (CAD)	\$ 0.24
Expected annualized volatility	110%
Expected life (years)	4.75
Expected annual dividend yield	0%
Exercise price CAD	\$ 0.24

The total expense related to the fair value of options granted which was recognized in the period ended April 30, 2021 was \$609,113 (2020 - nil). The options issued vested immediately.

The expected volatility is based on comparable companies.

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**12. 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. Key management personnel compensation comprised:

<b>For the periods ended:</b>	<b>April 30, 2021</b>	April 30, 2020
Directors and officers' compensation	<b>\$294,201</b>	\$ 196,308
Share based payments	<b>436,010</b>	-
	<b>\$730,211</b>	\$ 196,308

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The Company entered into loan agreements with 2227929 Ontario Inc. 2227929 Ontario Inc. is a company wholly owned by Fred Leigh, who is a former director of the Company. In September 2020, October 2020 and February 2021, 2227929 Ontario Inc. advanced loans of CAD\$68,000 (See Note 8). During the six months ended April 30, 2021, the Company incurred expenses for consulting, rent and promotion services in the amount of CAD\$6,000 (\$4,786) (six months ended April 30, 2020 – nil) from 2227929 Ontario Inc.

As at April 30, 2021, \$87,665 (October 31, 2020 - \$131,288) was owing to related parties and was included in trade payables and accrued liabilities, and are unsecured, non-interest bearing and due on demand.

See also Note 8.

**13. Commitments and contingencies**

**Royalty agreement**

The Company signed an agreement with a licensor for certain licensed property and trademarks on August 14, 2020, which was subsequently superseded by an amended agreement on November 20, 2020. Under the terms of the amended agreement, the effective term is from November 20, 2020 to July 31, 2025. Under the amended agreement, the Company is required to make an advance payment of \$500,000 (paid on March 4, 2021), and a royalty of 10% of net sales for each contract year, with guaranteed minimum royalties of \$500,000 in year 1, \$600,000 in year 2, \$750,000 in year 3, \$900,000 in year 4 and \$1,000,000 in year 5. The licensee has the option to terminate the agreement in its sole discretion following the second year under contract, or through the payment of a \$500,000 termination fee. The initial agreement required the licensee to grant to the licensor 2,000,000 shares of the licensee upon execution of the initial agreement. The 2,000,000 shares were issued on August 14, 2020 valued at \$45,455 based on the estimated value of the shares issued in a recent financing and were recorded as a prepaid expense.

**Management contracts**

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately \$1,718,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed consolidated interim financial statements. The Company is also committed to payments upon termination of approximately \$985,000 (October 31, 2020 - \$544,000) pursuant to the terms of these contracts.

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**14. Financial instruments**

As at April 30, 2021, the Company's financial assets consisted of cash which were classified as assets at amortized costs. The Company's financial liabilities which classified as liabilities at amortized cost.

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk

*Risk management framework*

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established a risk management strategy, which incorporates development and monitoring of the Company's risk management activities. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Company's approach to risk management is assessed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

*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. The Company is exposed to credit risk on its cash and receivables. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets. The cash is held with a financial institution counterparty which is highly rated and the receivables are owed from the government of Canada as sales tax recovery. As such, the Company has assessed an insignificant loss allowance on these financial instruments.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have access to sufficient liquid assets to meet its current liabilities when they are due, under both normal and stressed conditions, without incurring excessive losses. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company is exposed to this risk on its accounts payable and accrued liabilities and loans payable.

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**15. Capital management**

The Company considers the aggregate of its common shares, warrants, contributed surplus and deficit as capital. The Company's objective, when managing capital, is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

At April 30, 2021, the Company has minimal cash-generating operations; therefore, the only source of cash flow is generated from financing activities or loans. The Company may enter into new financing arrangements to meet its objectives for managing capital, until such time as a viable business activity is operational and the Company can thereby internally generate sufficient capital to cover its operational requirements.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

**16. Subsequent events**

Subsequent to April 30, 2021, the Company granted 1,050,000 stock options to consultants at an exercise price of CAD\$0.19 (\$0.15) with an expiry of 5 years and 250,000 stock options to a consultant at an exercise price of CAD\$0.15 (\$0.12) with an expiry of 5 years.

Subsequent to April 30, 2021, 140,000 stock options with an exercise price of CAD\$0.20 (\$0.16) expired unexercised.

**17. Comparative periods**

Prior years amounts relate to Silo Psychedelic Inc. before the reverse takeover transaction with Yukoterre.